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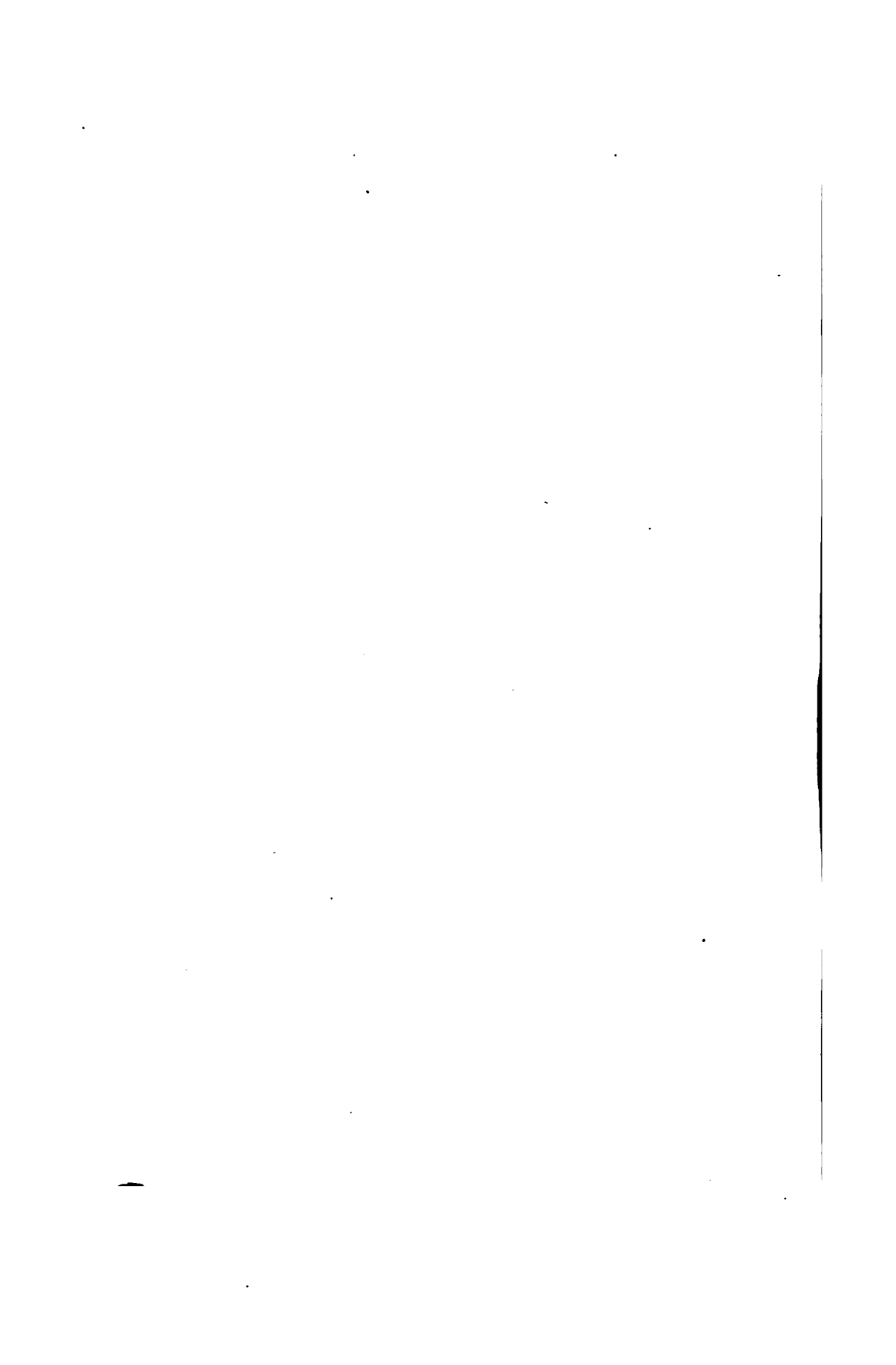
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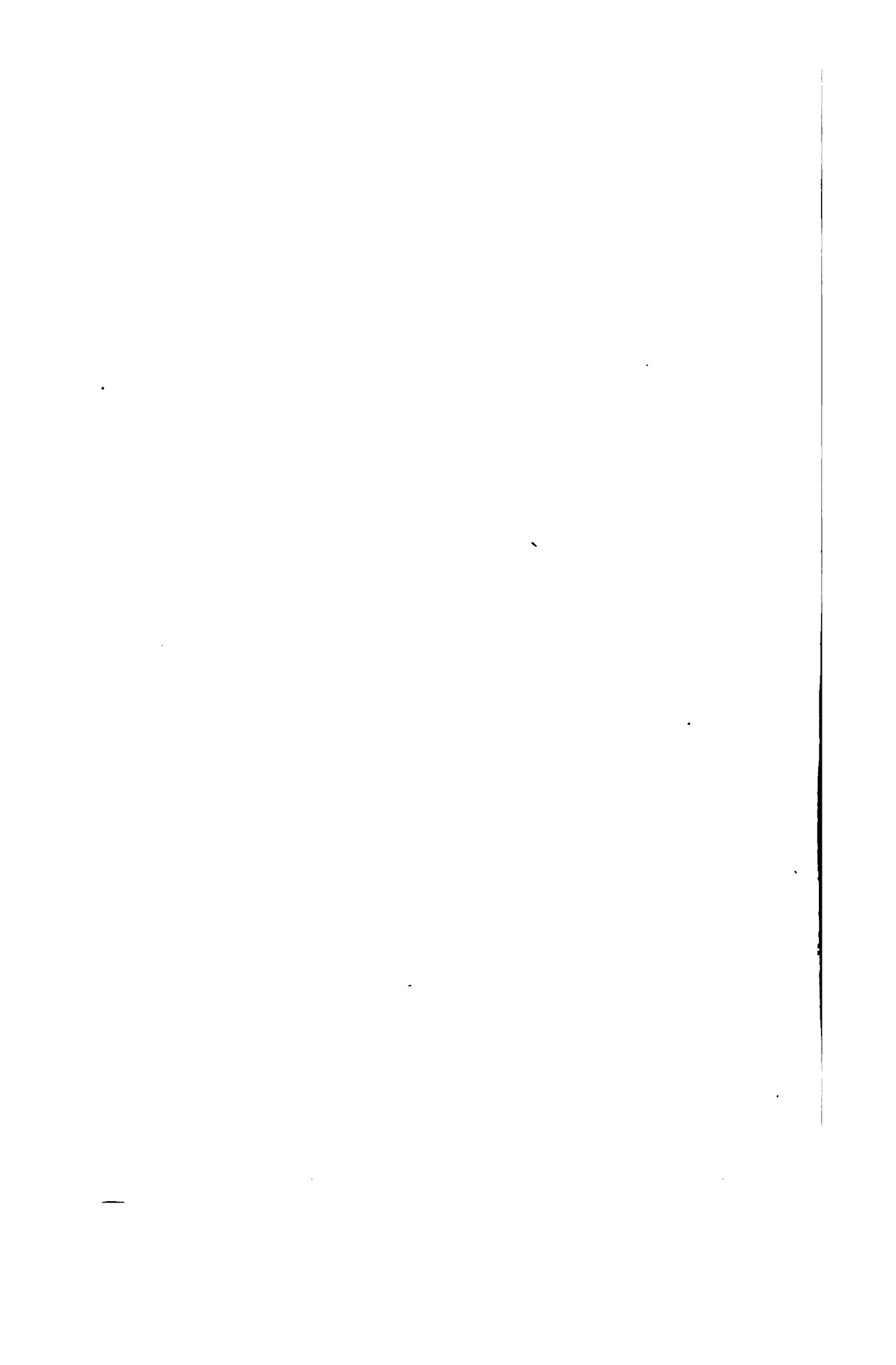


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NAVAL AUXILIARIES FOR USE IN THE
MERCHANT MARINE

HEARINGS

BEFORE A

SPECIAL SUBCOMMITTEE OF
THE COMMITTEE ON NAVAL AFFAIRS

HOUSE OF REPRESENTATIVES

SIXTY-THIRD CONGRESS

SECOND SESSION

ON

S. 5259

191
583

A BILL TO ESTABLISH ONE OR MORE UNITED STATES NAVY
MAIL LINES BETWEEN THE UNITED STATES,
SOUTH AMERICA, AND EUROPE

AND

H. R. 5980

A BILL TO AUTHORIZE THE PRESIDENT OF THE UNITED STATES
TO BUILD OR ACQUIRE STEAMSHIPS FOR USE AS NAVAL
AUXILIARIES AND TRANSPORTS, AND TO ARRANGE
FOR THE USE OF THESE SHIPS WHEN NOT
NEEDED FOR SUCH SERVICE, AND TO
MAKE AN APPROPRIATION
THEREFOR

AUGUST, 1914



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NAVAL AUXILIARIES FOR USE IN THE MERCHANT MARINE.

COMMITTEE ON NAVAL AFFAIRS,

Tuesday, August 11, 1914.

The committee this day met, Hon. J. F. C. Talbott (acting chairman) presiding.

Mr. TALBOTT. Gentlemen of the committee, I have a telegram that Mr. Theall received from Mr. Padgett asking me to preside at a meeting of the committee and authorizing Mr. Theall to get sufficient signatures to request me to make the call, because of the fact that you had passed a resolution that you would not transact any more business. Whilst I do not think it is absolutely necessary, I think it would be better to reconsider the resolution that was adopted at your last meeting.

(A motion by Mr. Witherspoon that the committee reconsider the resolution not to take up any more bills, seconded by Mr. Britten, was carried.)

Mr. TALBOTT. Gentlemen of the committee, Admiral Blue is present, and I suppose we had better ask him to explain to us this bill, which has already passed the Senate (S. 5259).

[S. 5259, Sixty-third Congress, second session.]

AN ACT To establish one or more United States Navy mail lines between the United States and South America and between the United States and the countries of Europe.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Navy is hereby authorized to establish one or more United States Navy mail lines, by employing such vessels of the Navy as in his discretion are available, without impairment to the paramount duties of the Navy, and as are necessary and appropriate, for the purpose of establishing and maintaining regular communication between the east or west coast, or both coasts, of the United States and either or both coasts of South America and between the United States and the countries of Europe. The vessels so employed shall carry United States mail, passengers, and freight under such regulations and at such rate or rates as the Secretary of the Navy may prescribe. Such civilians, such officers of the naval auxiliary service, and such officers and enlisted men of the Navy, including officers on the retired list, as the Secretary of the Navy may deem necessary shall be employed in the business of the said mail line or lines, and retired officers of the Navy so employed at sea or on shore shall, in all respects, be held and considered to be in an active duty status, and shall receive the pay and allowances of officers of the active list of the same rank and length of service: *Provided*, That officers placed on the retired list on account of wounds or disability incident to the service, or on account of age, or after thirty years' service, shall not be ordered to such duty without their consent.

The enlisted strength of the Navy, as now or hereafter authorized by law, is hereby increased by the number of men required to man the vessels so employed, and the Secretary of the Navy is hereby authorized to enlist such number of men in the Navy for such terms of enlistment, not to exceed four years, as may be desirable, and to distribute the number of men so enlisted among the various ratings of the Navy.

SEC. 2. That in addition to and as a part of the line of the Navy there is hereby established an active reserve list. Line officers placed on the active reserve list under the provisions of this act shall be held to be in an active-duty status in all respects, except that officers on the active reserve list shall not be advanced on the active reserve list except for eminent and conspicuous conduct in battle, or extraordinary

heroism, when their advancement thereon for these causes shall be governed by the provisions of law governing the advancement of officers on the active list for like causes. All laws now in effect with reference to the retirement of officers from the active list are hereby extended to include officers on the active reserve list.

SEC. 3. That sections eight and nine of the act approved March third, eighteen hundred and ninety-nine, entitled "An act to reorganize and increase the efficiency of the personnel of the Navy and Marine Corps of the United States," as amended by the act approved August twenty-second, nineteen hundred and twelve, entitled "An act making appropriations for the naval service for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," are so far amended that officers who hereafter volunteer or are selected for retirement as therein provided shall be held and considered to have volunteered for transfer to the active reserve list, or shall be selected for transfer to the active reserve list, respectively; and the transfer of such officers to the active reserve list in lieu of their retirement shall be made subject to the restrictions imposed by the provisions of the said sections as amended.

SEC. 4. That in addition to such part of existing appropriations as may be available for the expenses of operating the line or lines herein provided for, the sum of \$100,000 is hereby appropriated, to be paid out of any money in the Treasury of the United States not otherwise appropriated, to be expended in the discretion of the Secretary of the Navy for the purpose of organizing, inaugurating, and carrying on the traffic provided for in this act and in defraying the operating expenses incident thereto: *Provided*, That all money received for the transportation of mail, passengers, and freight, as provided in section one of this act, and for such other services as may be incident to the operation of the said line or lines, is hereby made available, in addition to the aforesaid sum of \$100,000 herein appropriated, for expenses incident to the proper conduct of the business contemplated in this act: *Provided further*, That any sum of money herein appropriated which remains unexpended at the end of the third fiscal year after the passage of this act, and at the end of each fiscal year thereafter, shall be covered into the Treasury of the United States.

Passed the Senate August 3, 1914.

Attest:

JAMES M. BAKER, *Secretary*.

[Senate Report No. 718, Sixty-third Congress, second session.]

We, the undersigned members of the Senate Committee on Naval Affairs, recommend the passage without amendment of S. 5259, being a bill introduced by Senator Weeks, entitled "A bill to establish one or more United States Navy mail lines between the United States and South America," and being the bill recommended for passage by the Secretary of the Navy in response to Senate resolution 317.

B. R. TILLMAN.
CARROLL S. PAGE.
CLAUDE A. SWANSON.
GEO. C. PERKINS.
N. P. BRYAN.

MOSES E. CLAPP.
J. R. THORNTON.
MILES POINDEXTER.
CHARLES F. JOHNSON.

LETTER FROM THE SECRETARY OF THE NAVY TO THE CHAIRMAN OF THE COMMITTEE ON NAVAL AFFAIRS, TRANSMITTING CERTAIN INFORMATION ON SENATE RESOLUTION 317 RELATIVE TO A PLAN FOR THE ESTABLISHMENT OF A LINE OF SHIPS TO RUN BETWEEN THE CITIES OF NEW YORK AND NEW ORLEANS AND THE CITY OF VALPARAISO, CHILE, AND INTERMEDIATE PORTS, TOGETHER WITH A DRAFT OF A PROPOSED BILL TO ACCOMPLISH THE SAME.

[S. Res. 317.]

Mr. Weeks submitted the following resolution; which was referred to the Committee on Naval Affairs.

Whereas it is desirable to develop and extend commercial relations between the United States and the countries of South America by the establishment of direct lines of communication for carrying the United States mail and for the transportation of passengers and freight; and

Whereas private capital has not engaged in this service to a sufficient extent to furnish facilities comparable to those enjoyed by the people of other countries having trade relations with South America: Therefore be it

Resolved, That the Secretary of the Navy be, and he is hereby, directed to cause to be prepared, in detail, a plan for the establishment of a line of ships to run between

the cities of New York and New Orleans and the city of Valparaiso, Chile, and intermediate ports, to consist of the cruisers Columbia and Minneapolis and the scout cruisers Salem, Chester, and Birmingham, and that the information requested in this resolution shall include the following:

First. The time required by these ships to make a round trip between the ports named.

Second. The number of passengers which could be carried in each ship as now equipped or with any changes that would not impair their usefulness if required in the naval service.

Third. The amount of freight that each ship could carry under similar conditions; this estimate to include mail as well as freight.

Fourth. The number of naval officers and seamen required to man the ships engaged in the service which is proposed.

Fifth. The probable cost of the service, including the pay of the officers and men employed in connection with it and all other necessary elements such as wharfage in the cities where the ships would touch, fuel, repairs, and maintenance of every description.

Sixth. The cost of such necessary changes as may be required to put the ships named in condition for such service, in removing unnecessary military equipment and any other changes necessary in order to carry passengers and freight safely and to adequately perform the service proposed in this resolution.

Seventh. An expression of opinion by the department as to whether the above-named ships can be used for such purposes without impairing their usefulness for naval purposes should their prompt return to the naval service be required.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, April 11, 1914.

Hon. B. R. TILLMAN,
Chairman of the Committee on Naval Affairs,
United States Senate.

MY DEAR SENATOR: 1. Referring to Senate resolution No. 317, Sixty-third Congress, second session, I have the honor to forward to your committee a report embodying the information requested.

2. It is practicable, by the use of naval vessels, to carry out the purpose indicated in the resolution, and the following vessels will be available for the service, viz, *St. Louis, Charleston, Milwaukee, Columbia, Minneapolis, Salem, Chester, Buffalo, Rainbow, Ancon, Cristobal, Hector, Mars, Vulcan, Cyclops, and Neptune* (or two equally good), and the *Nanshan*.

3. The *St. Louis, Charleston, Milwaukee, Columbia, and Minneapolis* are fast cruisers; the *Salem* and *Chester* are fast scout cruisers; the *Buffalo* and *Rainbow* are transports; the *Ancon* and *Cristobal* are steamers employed by the Panama Railroad Co. to be turned over to the Navy Department; and the others are naval colliers.

4. The cruisers are suitable for carrying only a small number of male passengers—15 to 20 each—and could not be fitted for carrying bulky freight without interfering materially with their military value; but they could carry the mails and a limited amount of express freight and parcels, about 150 tons each.

5. The *Buffalo, Rainbow, Ancon, and Cristobal* are suitable for carrying a limited number of passengers and any kind of freight: *Buffalo*, 20 first-class passengers and 4,000 tons of freight; *Rainbow*, 25 passengers and 2,500 to 3,000 tons of freight; *Ancon* and *Cristobal*, each 74 first-class and 32 steerage passengers and between 10,000 and 11,000 tons of freight. The naval colliers are not suitable for carrying any passengers, but are well adapted to a freight service; the first three carrying 6,500 to 10,000 tons each; the two of the *Cyclops* class 10,000 to 12,500 tons of freight and 2,900 tons of fuel oil in bulk each; and the *Nanshan* about 3,000 tons.

6. The distance from New York to Valparaiso via Panama and Callao is 4,666 miles, and each of the fast cruisers going at 15 knots could cover that distance, allowing 24 hours for delays incident to passage through the canal, in 13 days 23 hours; or make one round trip without stop, except at the canal, in 27 days 22 hours.

The distance from New Orleans to Valparaiso via Panama and Callao is 4,087 miles, and the time for the same vessels to make one round trip without stop, except at the canal, is 24 days 17 hours.

The distance from Panama to Valparaiso via Callao is 2,652 miles, and the same vessels can, at 15 knots, cover the distance in 7 days 9 hours, or make one round trip in 14 days 18 hours.

The other vessels are slower, and will sustain a speed of 12 knots, except the *Nanshan*, which can be counted on for 10 knots.

7. By the use of the *Charleston*, *St. Louis*, *Columbia*, and *Minneapolis*, a fast but very expensive mail service, with accommodations for a limited number of male passengers, could be easily maintained between Panama, Guayaquil, Mollendo, and Valparaiso, with weekly sailings from Panama. A far less expensive service could be maintained by the use of the *Salem*, *Chester*, *Columbia*, and *Minneapolis*.

These stops would be best for quick deliveries of mails to the South American countries on the west coast, to Argentina, Bolivia, Uruguay, and Paraguay. There is a daily railway express service from Valparaiso to Buenos Aires and Montevideo via the Trans-Andean Railway. The time from Valparaiso to Buenos Aires by rail is about 60 hours, and to Montevideo 72 hours. Allowing four days for the delivery of mails from New Orleans to Panama, and 11 days for delivery from Panama to Valparaiso, the mails from the United States would reach Buenos Aires in 17½ days and Montevideo in 18 days. The time from Liverpool to Buenos Aires by mail steamers running in connection with the Royal Mail Steam Packet Co. is 22 days, and to Montevideo 21 days, on a weekly schedule. From New York to the same ports via existing lines the time is 24 and 23 days, respectively, with a weekly schedule. There is at the present time a weekly mail and passenger service between New Orleans and Colon. If it should be found desirable to run the mail steamers from New Orleans to Valparaiso it could be done by the addition of another cruiser, but at very greatly increased cost. The cost of running each vessel is given in the table appended, marked "A."

8. A passenger and freight line can, in addition, be maintained between New Orleans and Valparaiso, and a freight line between New York and Valparaiso, making such ports as may be necessary; or a combination freight and passenger service and a freight service between New York and Valparaiso.

For a service from New Orleans, the *Buffalo*, *Rainbow*, *Ancon*, and *Cristobal* could be used, insuring a sailing every 14 days.

In addition, a freight line can be maintained between New York and Valparaiso, using the five large colliers, which would insure a sailing every 12 days.

If the vessels mentioned above for the New Orleans trade were combined with the freighters, a mixed service could be maintained, which would insure a steamer from New York every seven days.

The *Nanshan* might be useful as a freighter between Panama, Buenaventura, and Guayaquil.

9. Due to the engine room, fireroom, and bunker construction of the cruisers, a large number of men is required in the engineering department; in addition, these vessels are great coal consumers and would have to coal both on the outward and return voyages. Since continuity and regularity of mail service would be essential, it would be necessary to maintain at some point on the west coast, preferably at Callao, either ashore or afloat, a reserve of coal. This need could, however, be easily met.

10. The personnel that would be required for the ships is as follows: *Colombia*, *Minneapolis*, *Salem*, and *Chester*, 9 commissioned and 6 warrant officers and 202 men each; *Buffalo* and *Rainbow*, 9 commissioned and 6 warrant officers and 118 men each; *Ancon* and *Cristobal*, 9 commissioned and 6 warrant officers and 135 men each; *Hector*, *Mars*, and *Vulcan*, 7 commissioned and 6 warrant officers and 117 men each; *Cyclops* and *Neptune* (or two others of equal capacity), 7 commissioned and 6 warrant officers and 134 men each; and the *Nanshan*, 7 commissioned and 6 warrant officers and 69 men; a total of 114 commissioned and 84 warrant officers and 2,002 men.

11. The cost of changes necessary to fit the vessels for the proposed service would be small. For the *Rainbow*, on which it is contemplated installing five additional staterooms at a cost of \$2,000, \$3,000 would be required; and \$1,000 for each of the other vessels would probably cover the cost of changes proper. In addition, each vessel carrying passengers would need an auxiliary radio installation required by law for passenger ships. This would cost \$2,000 for each vessel, and the total cost for the above vessels would be about \$32,000.

12. The pay and subsistence of officers and men to man the 14 ships would be about \$1,862,444, and the maintenance of the ships, other than pay and subsistence, including repairs, docking, and supplies of all kinds, would approximate \$1,774,250; total, \$3,636,694.

13. The probable cost of the shore establishment or operating the lines is difficult to estimate at this time. This would include salaries of officers, agents, clerical force, and other personnel, terminal facilities, wharfage, port dues, rent of offices, furniture, and other expenses, and the department is making an investigation to determine this expense. It is believed, however, that it would be but a small percentage of the total cost, as Government terminal facilities will be used wherever practicable.

14. The expense of such services would, of necessity, be relatively large, due to the character of the vessels to be used and the fact that they must be kept in condition for immediate military service if required. It should be remembered, however, that there would be considerable return to the Government in mail, passenger, and freight receipts.

Retired officers or officers on the reserve list, should one be created, would be employed in the service as soon as practicable, and under such conditions the expense involved in the pay and subsistence of officers, as given in the table, should be reduced by three-fourths.

When it is considered that the men will be enlisted men in the Navy and available for service with the Navy in time of war, the actual total additional expense for personnel for 14 ships would be but \$151,244.

15. Should the department be authorized to establish the service as contemplated in the resolution, it is suggested that the question of ships to be used, ports to be made, schedules, etc., be left entirely to the discretion of the department, and the department would make every effort to carry out the plan successfully. In so doing, it is considered best to inaugurate the business by establishing a fast line from Panama to Valparaiso, via Callao and Mollendo, and utilize for the purpose the *Columbia*, *Minneapolis*, *Salem*, and *Chester*. This mail and passenger line, in connection with those now in existence from New York and New Orleans to Colon, would be a rapid-transit route between the United States, Peru, Bolivia, and Chile, and thence, via the Trans-Andean Railway, to Argentina, Uruguay, and Paraguay.

It is not deemed wise to establish at the beginning a schedule that would utilize all the vessels mentioned as available. One sailing a month of freighter or passenger vessel from New York and New Orleans to Valparaiso and intermediate ports would be enough for a beginning. As business developed other vessels would be added, and sailings made more frequent, as the traffic warranted.

The *Rainbow* or *Nanshan*, or both, as the traffic might warrant, would be scheduled to ply between Panama and Guayaquil, Ecuador, via Buenaventura, Columbia. These would carry mails, passengers, and freight, and act as feeders for our freighters passing through the canal and connecting with the mail lines from New Orleans and New York.

As for docks and terminal facilities, the navy yard at New Orleans is well adapted for the purpose, and the New York yard could be used until the traffic warranted renting another terminal. The cost of wharves in New Orleans would depend upon the freight handled, and would therefore be included in the freight rates. In South American ports practically all cargoes are handled by means of lighters, the cost of which would be included in the freight rates.

Although it might appear that the cost of maintenance of the four cruisers of the fast mail line from Panama to Valparaiso is excessive, this is not so apparent when considered in connection with the freighters. One is necessary to the other for developing the South American trade, and the average cost should be taken. The freighters would begin to pay for themselves at once by taking coal and oil, for which there is great demand, and returning with general freight.

16. The department sees in the plan an opportunity for a twofold advantage:

First. The opportunity for developing a large trade with South America, which is not practicable for private vessels under the United States flag.

Second. The gradual development of a large auxiliary fleet which would be necessary in time of war, and which would be built up and maintained in time of peace without cost to the Government, as it will pay for itself after having once been firmly established.

Should the development of the business warrant, the cruisers used in this service would be gradually replaced by auxiliary vessels vastly more suitable and economical for the service itself as well as for the use of the Navy in time of war.

17. The approximate cost of maintenance of the ships of the lines proposed, for beginning the service, is as follows:

1. Fast mail service from Panama to Valparaiso, using the *Columbia*, *Minneapolis*, *Salem*, and *Chester*:

Pay and subsistence of officers and men.....	per annum..	\$597, 120
Maintenance, including repairs, docking, supplies of all kinds, etc.,	per annum.....	790, 800
Total.....		1, 387, 920

2. <i>Rainbow</i> , plying between Panama, Buenaventura, and Guayaquil:	
Pay and subsistence of officers and men.....	\$118,840
Maintenance, including repairs, docking, supplies of all kinds, etc....	81,300
Total.....	199,140
3. Monthly sailings from the terminals, New York and New Orleans, for Valparaiso and intermediate ports, would cost, on the average for each vessel engaged in the service, as follows:	
Pay and subsistence of officers and men.....	121,160
Maintenance, including repairs, docking, supplies of all kinds, etc....	100,500
Total.....	221,660

18. Any of the vessels mentioned for this service can be so employed without impairing their usefulness for naval purposes in any way, should their prompt return to the naval service be required.

19. In indorsing the establishment of this service the department takes occasion to state that the personnel of all vessels engaged in it should be naval officers and enlisted men of the Navy, and it will be necessary to increase the number of men at present allowed by law by the number of men required for this service.

20. The draft of a bill which would, in the opinion of the department, meet requirements is inclosed, marked "B."

JOSEPHUS DANIELS.

TABLE A.

Vessel.	Complement.		Passen- gers, number.	Freight, tons.	Active pay of officers.	Retired officers' pay.	Differ- ence.	Pay and subsist- ence (men).	Total pay and subsist- ence of officers and men (6) and (9).	Total ad- ditional pay and subsist- ence (9) and (8).	Main- tenance of ships, ex- clusive of pay and sub- sistence, includ- ing dock- ing, sup- plies, and fuel.	Total cost of main- tenance affloat (11) and (10).	Cost of changes.
	Officers.	Men.											
St. Louis ¹	Commissioned, 9; warrant, 6; 15.	335	15 to 20.	Exp. 150.	\$40,960	\$29,700	\$11,260	\$221,000	\$261,960	\$232,260	\$226,000	\$458,260	\$3,000
Columbia.....	do.....	202	15 to 20.	Exp. 150.	40,960	29,700	11,260	133,320	174,280	144,580	197,750	342,330	3,000
Minneapolis.....	do.....	202	15 to 20.	Exp. 150.	40,960	29,700	11,260	133,320	174,280	144,580	197,750	312,330	3,000
Salem.....	do.....	202	15 to 20.	Exp. 150.	40,960	29,700	11,260	133,320	174,280	144,580	197,750	341,080	3,000
Chester.....	do.....	202	15 to 20.	Exp. 150.	40,960	29,700	11,260	133,320	174,280	144,580	197,750	341,080	3,000
Buffalo.....	do.....	118	20	4,000	40,960	20,700	11,260	77,880	118,840	89,140	98,500	185,640	3,000
Rainbow.....	do.....	118	25	3,000	40,960	29,700	11,260	77,880	118,840	89,140	81,300	170,440	5,000
Ancon.....	do.....	135	(²)	10,000— 11,000—	40,960	29,700	11,260	89,100	130,060	100,360	113,600	213,960	1,000
Cristobal.....	do.....	135	(²)	10,000— 11,000—	40,960	29,700	11,260	89,100	130,060	100,360	113,600	213,960	1,000
Hector.....	Commissioned, 7; warrant, 6; 13.	117	None.	6,500— 10,000—	35,574	25,380	10,194	77,220	112,794	87,414	97,250	184,664	1,000
Mara.....	do.....	117	None.	6,500— 10,000—	35,574	25,380	10,194	77,220	112,794	87,414	97,250	184,664	1,000
Vulcan.....	do.....	117	None.	6,500— 10,000—	35,574	25,380	10,194	77,220	112,794	87,414	97,250	184,664	1,000
Cyclops.....	do.....	134	None.	10,000— 12,500—	35,574	25,380	10,194	88,440	124,014	98,634	120,000	218,634	1,000
Neptune.....	do.....	134	None.	10,000— 12,500—	35,574	25,380	10,194	88,440	124,014	98,634	120,000	218,634	1,000
Nanahan.....	do.....	99	None.	3,000	35,574	25,380	10,194	45,540	81,114	65,724	49,000	114,734	1,000

¹ Charleston and Milwaukee same as St. Louis in all respects.² 74 first class; 32 steerage.

A BILL To establish one or more United States Navy mail lines between the United States and South America.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Navy is hereby authorized to establish one or more United States Navy mail lines, by employing such vessels of the Navy as in his discretion are available without impairment to the paramount duties of the Navy and as are necessary and appropriate, for the purpose of establishing and maintaining regular communication between the east or west coast, or both coasts, of the United States and either or both coasts of South America. The vessels so employed shall carry United States mail, passengers, and freight under such regulations and at such rate or rates as the Secretary of the Navy may prescribe. Such civilians, such officers of the naval auxiliary service, and such officers and enlisted men of the Navy, including officers on the retired list, as the Secretary of the Navy may deem necessary shall be employed in the business of the said mail line or lines, and retired officers of the Navy so employed at sea or on shore shall, in all respects, be held and considered to be in an active duty status, and shall receive the pay and allowances of officers of the active list of the same rank and length of service: *Provided*, That officers placed on the retired list on account of wounds or disability incident to the service, or on account of age, or after thirty years' service, shall not be ordered to such duty without their consent.

The enlisted strength of the Navy, as now or hereafter authorized by law, is hereby increased by the number of men required to man the vessels so employed, and the Secretary of the Navy is hereby authorized to enlist such number of men in the Navy for such terms of enlistment, not to exceed four years, as may be desirable, and to distribute the number of men so enlisted among the various ratings of the Navy.

SEC. 2. In addition to and as a part of the line of the Navy there is hereby established an active reserve list. Line officers placed on the active reserve list under the provisions of this act shall be held to be in an active duty status in all respects, except that officers on the active reserve list shall not be advanced on the active reserve list except for eminent and conspicuous conduct in battle, or extraordinary heroism, when their advancement thereon for these causes shall be governed by the provisions of law governing the advancement of officers on the active list for like causes. All laws now in effect with reference to the retirement of officers from the active list are hereby extended to include officers on the active reserve list.

SEC. 3. Sections eight and nine of the act approved March third, eighteen hundred and ninety-nine, entitled "An act to reorganize and increase the efficiency of the personnel of the Navy and Marine Corps of the United States," as amended by the act approved August twenty-second, nineteen hundred and twelve, entitled "An act making appropriations for the naval service for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," are so far amended that officers who hereafter volunteer or are selected for retirement as therein provided shall be held and considered to have volunteered for transfer to the active reserve list, or shall be selected for transfer to the active reserve list, respectively; and the transfer of such officers to the active reserve list in lieu of their retirement shall be made subject to the restrictions imposed by the provisions of the said sections as amended.

SEC. 4. In addition to such part of existing appropriations as may be available for the expenses of operating the line or lines herein provided for, the sum of \$100,000 is hereby appropriated, to be paid out of any money in the Treasury of the United States not otherwise appropriated, to be expended in the discretion of the Secretary of the Navy for the purpose of organizing, inaugurating, and carrying on the traffic provided for in this act and in defraying the operating expenses incident thereto: *Provided*, That all money received for the transportation of mail, passengers, and freight, as provided in section one of this act, and for such other services as may be incident to the operation of the said line or lines, is hereby made available, in addition to the aforesaid sum of \$100,000 herein appropriated, for expenses incident to the proper conduct of the business contemplated in this act: *Provided, further*, That any sum of money herein appropriated which remains unexpended at the end of the third fiscal year after the passage of this act, and at the end of each fiscal year thereafter, shall be covered into the Treasury of the United States.

STATEMENT OF REAR ADMIRAL VICTOR BLUE, CHIEF, BUREAU OF NAVIGATION.

Admiral BLUE. Most of the information in regard to this bill relating to the question of material and condition of ships, etc., was sent to the Senate Committee on Naval Affairs, and I notice they

have published it and furnished this committee with it. So I will not dwell very much on that point.

The only thing that I wish to say to the committee this morning, representing the views of the Secretary who detailed me here for the purpose, is to outline a little scheme which we have for carrying this into effect in case it becomes law, and attempting to show what we might do under the proposition and also what we can not do. I have drafted the scheme somewhat as follows:

First, the intention is to feel the way and to develop the trade of South America, utilizing if necessary the following ships: The *Columbia*, *Minneapolis*, *Birmingham*, *Salem*, and *Chester*. I will say with regard to those ships that they were built with high speed for use as scouts and cruisers in the days when we thought that sort of ship was just the thing, but there have been a good many developments in later years, since these vessels were built, and we know now that those vessels are not very good for the purpose for which they were first designed as scout vessels, especially the *Columbia* and *Minneapolis*, which are now very old. They were built for and did make 22 knots originally. At that time they were most excellent cruisers, but, of course, they have deteriorated and become old; and, in case of war, I doubt if it would be worth while to put them in commission. It would probably be more advantageous to utilize our limited personnel on large vessels taken from the merchant service for scouting purposes.

Mr. BRITTEN. Are the *Columbia* and *Minneapolis* constructed now so that they could be used for transport purposes?

Admiral BLUE. They could carry a few, but not many, troops. They could not carry anything like the number that could be carried by a merchant vessel of the same power designed to carry passengers—

Mr. BRITTEN. Are they constructed so that they might carry grain, fuel, or foodstuffs now?

Admiral BLUE. Very little.

Mr. STEPHENS. What could they carry?

Admiral BLUE. Those ships were built for tremendous horsepower, and naturally their engines and coal space take up nearly all the ship. They have magazine space. Of course, if they were used now the only thing they could carry would be mail and very light freight or some express, probably not more than 150 to 200 tons that would have to be placed in the magazine space and in certain other available space.

Mr. STEPHENS. How many passengers could they carry?

Admiral BLUE. About 20 passengers.

Mr. ROBERTS. I notice in the report of the Secretary that you speak of male passengers on those four cruisers.

Admiral BLUE. That means that in order to carry female passengers you would have to have separate accommodations for the women, which we have not on those ships and which would have to be provided. For instance, toilet rooms and things of that kind.

Mr. BRITTEN. If the space is so exceedingly limited on those ships and the entire hull is taken up by machinery and coal bunkers, does your department recommend that we use them for merchant purposes between here and South America?

Admiral BLUE. As I was going to state, they would be suitable only to carry mail and would be the pioneers in establishing a trade. By

the utilization of those ships for such purpose we can beat the English mails to the southeast coast of South America. The *Birmingham*, *Chester*, and *Salem* are smaller vessels than the *Columbia* and *Minneapolis*. They were built primarily to be used as scout vessels, but as I said before, developments in those matters have shown that we need much larger vessels for scouting purposes in time of war. They could not make the necessary speed in heavy weather. When those little fellows get in a big gale of wind they must heave to. So for that purpose these three vessels, all primarily for scouting, can not be used as scouts much more than a big destroyer. They are really big torpedo destroyers when you come down to it. We utilize them now as cruising gunboats. They are very good for that. The *Chester* did very good service in Vera Cruz and helped out wonderfully there. I am speaking now of what they were designed for, scouting vessels.

Mr. ROBERTS. If I may interrupt you, I notice in this report of the Senate committee that they give a table of the different vessels that are available for the service, and the *Birmingham* is left out for some reason. Do you know why?

Admiral BLUE. The *Birmingham* is now used as the flagship of the torpedo flotilla.

With a line starting from either Charleston, Key West, or New Orleans, and carrying on a trimonthly service to Valparaiso, Chile, via Panama and Callao, at 15 knots speed, stopping one day at Panama and one and a half days at Callao, mail could be carried from the United States to Valparaiso in 15 days. By means of this service mail from Washington would reach Buenos Aires on the southeast coast of South America in 18 days, beating the English mail to that port by four days. It takes the mail packets from Liverpool 18 days to deliver mail at Buenos Aires on the other side. It would seem that if we had a mail line composed of fast vessels going down on this side we could carry a great many of the English mails to the southeast coast of South America. That is one thing that a good many people never consider in regard to South America, the distances, etc. When we realize that we have a regular straight course down there from here, something which a good many people do not take into consideration, and after measuring distances and checking up the time made by other steamers we see what can be done by establishing something of this sort. These vessels would carry the mail and a limited number of passengers, 15 to 20, and express packages, or about 150 tons of light freight.

Mr. ROBERTS. Is that 150 tons in addition to the mail or does it include the mail?

Admiral BLUE. It is put down at about 200 tons, which they could carry in the magazines. I have left off 50 tons for mail and express, and taken on 150 tons for light freight, which I am sure they could carry.

Mr. ROBERTS. One hundred and fifty tons of mail is not very great capacity?

Admiral BLUE. If it should develop that they wanted all of that space for mail, they could take the mail and not any freight.

It would be necessary to coal these vessels at Callao, Peru; hence, a coal pile would be necessary at that port. For this service no wharf facilities are required, owing to the limited amount of freight to be

carried. The vessels could anchor in the harbors and use boats or lighters to transport mail, passengers, and freight. This is invariably done in South American ports as wharves are not generally available along the coast. All the freight is handled by lighters down there. In our home ports Government facilities would be utilized. An agent would be required at Callao and one at Valparaiso and, perhaps, one at Panama. This would be a pioneer line to work up trade with South America and give experience to our officers in handling it. In addition to the above-mentioned ships one or two colliers would be put on the route to carry coal for which there would be a ready sale and a good profit. It is believed likely that the profit on the coal and the receipts for carrying the mail would pay for the entire service. The cruisers used would be expensive to operate and maintain out of all proportion to receipts that might be expected from them. The cost, however, is a negligible quantity if they should be instrumental in building up a trade and bringing about closer commercial relations with South America. The benefits to the country in this respect are incalculable.

Again, if the establishment of Navy mail lines will be the means of building up an adequate auxiliary fleet, having suitable ships and a trained personnel to take their places with the fighting fleet in time of war, it will have served a double purpose by supplying the needs of the Navy in war without cost in time of peace.

After a beginning has been made and when the traffic warrants, other auxiliary vessels, like the *Buffalo*, the *Rainbow*, and others of the colliers, would be put on the route established or on other routes, as the business might demand. During the present war in Europe it might be beneficial to the country, as well as profitable, to utilize some of our large colliers in carrying commodities to Europe. When I speak of commodities here I want to do it advisedly. I do not think it would be well for any national vessels trading with belligerent nations to carry anything that might be construed at any time as contraband of war, because that would immediately involve the Government. Of course, if the vessels are private, they take the chance, and if captured they are detained or confiscated by the belligerent that takes them.

Mr. ROBERTS. What nature of commodities would we be apt to be carrying to Europe that would not be contraband of war?

Admiral BLUE. There are very few commodities that would be absolutely exempt from consideration as conditional contraband.

Mr. BUTLER. Would not foodstuffs be considered conditional contraband—may or may not be?

Admiral BLUE. Yes, sir; if destined to a belligerent country. If, however, they are destined to a neutral country, they would not be so considered unless it were shown that the ultimate destination was a belligerent.

Mr. ROBERTS. Would you favor this Government sending anything in a Government ship to Europe the cargo of which might be contraband before the ship got halfway across?

Admiral BLUE. No, sir; not under any circumstances.

Mr. ROBERTS. That part of the recommendation, the carrying of commodities to Europe in Government ships, would not be urged at the present time?

Admiral BLUE. I do not think, for instance, at the present time, that cotton is contraband of war or could be so classed. It is, however, conditional contraband.

Mr. ROBERTS. It might be before the ship got across?

Admiral BLUE. It might become so in time.

Mr. WITHERSPOON. Cotton can not be used for any earthly purpose until it has gone through a factory. How could it be contraband of war, then?

Admiral BLUE. I do not think it could, sir, except when intended for the manufacture of explosives.

Mr. ROBERTS. It could be used for explosives.

Mr. WITHERSPOON. It can not be used for explosives or anything else until it has gone through a factory.

Mr. ROBERTS. If a nation is short of explosives or clothing, it would be considered contraband of war.

Mr. WITHERSPOON. I thought it had to be of such a nature that it could be used by an army. Is not that your idea, Admiral?

Admiral BLUE. That is true, but as a matter of fact, I do not believe that there are many things that we should undertake to carry to a belligerent nation in national vessels. Any such trade by national vessels would lead to serious and dangerous complications.

Mr. ROBERTS. Another question: When you take your cargo from this country to a European port, the outgoing cargo might not be contraband of war, but yet you want to bring a return cargo, and it would be very essential for economical administration to have a return cargo. We want in this country a great many things that are produced, for instance, in Germany. Potash, the basis of fertilizer, the world's supply comes from Germany, and the world's supply of dyes comes from Germany. We need dyes and potash in a great many lines of manufacture in this country, and the question arises in my mind, if we undertook to take a cargo of dyes or potash from a German port, if that would not be considered contraband of war, in the eyes of France and England, because the money derived from that would go to Germany?

Admiral BLUE. I never heard of that application to contraband of war.

Mr. ROBERTS. To make a local application of it: In the Civil War cotton was made contraband, and we stopped its shipment because the money derived from the cotton was theoretically, if not actually, used to keep the southern army in the field, and it tended to weaken the belligerent nation.

Admiral BLUE. We did that by blockading the ports.

Mr. ROBERTS. I understand.

Mr. TALBOTT. Admiral, the intention of this is just to be a pioneer in regard to trade, principally with South America?

Admiral BLUE. That is all we ever intended to do in the beginning.

Mr. BUTLER. The admiral's suggestion opened up this discussion, and I would like to ask one question. The declaration of London was never agreed to by the nations, and the question of contraband is all up in the air?

Admiral BLUE. Yes, sir; except that it may be used as a guide in determining what should be considered contraband.

Mr. WILLIAMS. Admiral, England has a large carrying trade and a great number of merchant vessels, and they have a navy, and will

be charged with the responsibility of keeping the Atlantic clear and open. Why can not she continue to carry and make the United States ports; why can not that be done?

Admiral BLUE. There is no doubt that she will continue to do that as long as she controls the seas, but she may have to utilize some of the vessels in the trade for auxiliary purposes in war, and there would not be so many left for the trade.

Mr. ROBERTS. The trade is not going to be as great and you will not require as many vessels.

Mr. GERRY. Have you any idea of increasing this trade other than carrying between the United States and South America?

Admiral BLUE. We originally had no intention of doing more than developing a trade with South American ports with an idea of supplying the means to put our merchants in touch with those of the countries of South America. This was the intention in case Congress put the proposition up to the Navy.

Mr. ROBERTS. On the question of the fast mail service of the four cruisers, as I gather from the bill—I have not had an opportunity to study it carefully—and from the Senate report as well, this line is to establish a fast mail for the western coast of South America. That means practically Chile and Peru?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. In other words, we are going to this enormous expense to establish a mail line and very little passenger and we do not know how much freight traffic to Chile and Peru?

Admiral BLUE. That would be at the beginning.

Mr. ROBERTS. You have not branched out on the eastern coast. I would like to ask whether the Navy Department has secured any figures or estimates from any source as to the amount of mail that is now carried to the western coast of South America, either direct from the United States or from European ports, how many tons of mail are handled?

Admiral BLUE. I know that the steamers going to Colon last year from New York and New Orleans received about \$268,000 for carrying the mails.

Mr. ROBERTS. That does not give the figures in tons?

Admiral BLUE. No, sir.

Mr. ROBERTS. I notice the report speaks all the time of this fast-mail service from Panama down. Do I understand that the department's plan is to have these four cruisers sailing simply between Panama and South American ports with this fast mail?

Admiral BLUE. That would be the first line established.

Mr. ROBERTS. How would you get the mail to Panama?

Admiral BLUE. We can utilize merchant vessels now running to the Isthmus to carry the mail until we get other naval vessels put on.

Mr. ROBERTS. Is your estimate for a round trip from New York?

Admiral BLUE. No, sir; from Charleston and New Orleans. When the bill goes into effect as a law, the important thing to do will be to start something going to South America right away.

Mr. ROBERTS. What do we specially require in the way of commodities from Chile and Peru? Guano is the principal thing.

Admiral BLUE. We would hardly carry a thing of that kind in these vessels. We would not handle anything of that kind in these vessels.

Mr. ROBERTS. I would like to get the department's idea of what trade they are going to build up. Are they trying to build up a commerce in exports from this country to Chile and Peru, or are they trying to establish a line and get from Chile and Peru things that are very much needed in this country?

Admiral BLUE. This proposition did not originate in the Navy, but in Congress, and it is only in response to the wishes of Congress that the Navy is represented here for the purpose of giving information as to what can be done. The first thing would be to get in touch with the South Americans and ascertain what can be done.

Mr. ROBERTS. What of our products?

Admiral BLUE. We can supply them with the same things that the European countries supply them with.

Mr. ROBERTS. How far has the department gone into that? What are the European countries supplying them?

Admiral BLUE. All kinds of manufactured goods.

Mr. ROBERTS. Have you any figures as to those imports?

Admiral BLUE. I did not prepare any figures, because they can be gotten out of consular reports and other Government publications.

Mr. ROBERTS. Have we not at the present time a bigger and better market on the north and east coasts of South America by far than on the western coast?

Admiral BLUE. That is undoubtedly true. But we want to undertake something where we have nothing and let the Government help out in that respect. That is for a starter. I imagine that after a number of years there would be other vessels added and that we would extend the trade if circumstances warranted. I do not think it well to be too ambitious in the beginning.

Mr. ROBERTS. Is American mail carried direct from the United States to northern and eastern South America?

Admiral BLUE. Some of it goes that way, but not all.

Mr. ROBERTS. Regularly?

Admiral BLUE. There are regular steamers which go down there and they usually carry mails. It is also the case that some of the United States mail reaches South American ports via England.

Mr. ROBERTS. Is it not a fact that the greater part of the mail now goes by England?

Admiral BLUE. Yes, sir; I believe it does.

Mr. ROBERTS. The four cruisers have some armament?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. In the Senate report there is nothing itemized for the removal of the armament. That would be taken off?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. Would that be a matter of much expense?

Admiral BLUE. Very little expense.

Mr. ROBERTS. I notice it says here that the *Columbia*, *Minneapolis*, *Salem*, and *Chester*, and I presume the *Birmingham*, require 202 men. The *Birmingham* being a sister ship of the *Salem* and *Chester*, probably would require the same number.

Admiral BLUE. I have made closer figures than that on the personnel since that was written. I find that it will take 15 officers and 160 men for the *Salem* class, and 15 officers and 170 men for the *Columbia* class.

Mr. BRITTEN. Mr. Roberts asked the Admiral regarding the imports and exports from and to Chile and Peru. I find that in 1913 Chile exported to the United States \$19,500,000 of goods, and Peru exported to the United States a little over \$10,000,000 of goods. The imports from the United States into Chile in 1913 were almost \$16,000,000, and into Peru a little over \$6,000,000. The total exports from Chile were \$109,000,000, of which \$19,500,000 came to the United States and the total exports from Peru were \$36,000,000, of which \$10,000,000 came to this country. The total imports to Peru were \$108,000,000, of which we supplied \$16,000,000, and the total imports into Peru were \$22,500,000, of which we supplied \$6,000,000.

Admiral BLUE. In addition to the vessels carrying the mail to Callao and Valparaiso it would be well for us to take a couple of small vessels and run them into Colombian ports and Ecuadorian ports. The port of Buenaventura, in Colombia, is a deep-water port, and it is now just being connected by rail with one of the most fertile valleys of the world in the Andes, called the Cauco Valley. I had an opportunity to go over the route in that country several years ago. It seemed to me at that time that there was going to be a wonderful development in that part of Colombia in the very near future, especially when the Panama Canal was completed, and I made a report of it to the Navy Department. Those people want to trade with the United States and they have many commodities to send us. There are lots of mines around there being developed, and ores and things of that sort to be shipped away, and besides there are many agricultural products. It is a great coffee country. Some of the finest coffee in the world is grown in the valleys. The completion of the railroad connecting it with Buenaventura makes the time ripe for somebody to step in and start something. We have a couple of vessels that we bought during the Spanish War; they are more or less slow, but they could be put on to run from Guayaquil and Buenaventura up to Panama or even to ports in the United States.

Mr. TALBOTT. It is not the policy of the Department for us to go into the carrying trade as against private concerns?

Admiral BLUE. No, sir. I will say here that I think the policy would be that if the Navy should develop a large carrying trade, it it would be turned over to private companies in case they could handle it. It is understood that the Government is undertaking this only because private capital can not do so.

Mr. ROBERTS. Can you imagine any American capital going into that when the United States Government is already in the field?

Admiral BLUE. If the Government should be able to develop a trade that is profitable it might be a wise policy to turn it over to private parties who could successfully maintain it.

Mr. ROBERTS. If there were a profit in the trade the Government would not be apt to turn it over?

Admiral BLUE. I look at this from two points of view. No matter who does the carrying, whether it is private ships or Government ships, if by so doing they build up a big trade between South America and the United States, at the same time the country is being provided with vessels that can be used in war as auxiliary vessels at no cost to the Government in time of peace. Those are the two points of view. If it takes the Government to start the thing, of course it will cost a

great deal more than you will get out of it at first, but it will probably pay in the end. Then let privately owned ships do it, and if those ships are suitable for our purposes it seems to me it would accomplish both ends.

Mr. ROBERTS. This plan contemplates the addition of many ships to the Navy as auxiliary vessels?

Admiral BLUE. Yes, sir; that is, in case the undertaking is successful. We would not like to come to Congress in case we found that we could not do anything down there and say, "Give us more of those ships." But if we find that the business demands more ships, then we would ask for more to supply the demand.

Mr. ROBERTS. What would be the basis of the freight rates of this enterprise?

Admiral BLUE. That would be something that would require very careful consideration. Of course it would not do for us to make enemies of the people engaged in the trade down there, especially the natives. It would not do for us to charge exorbitant rates. We should have to consider the thing very carefully and select the rates with which we could at least compete with other carriers without driving them out of the business.

Mr. BRITTEN. Has the Navy Department figured the relative difference in cost between using these Government ships as they are and the purchase of merchant ships that are built capable of going into the merchant marine?

Admiral BLUE. We will admit right away that it would cost a great deal less if we had vessels built especially for that purpose. I can give you some figures which I have estimated as to the cost of using five of these ships, the *Columbia*, *Minneapolis*, *Birmingham*, *Salem*, and *Chester*. I have carefully worked out some figures and I can give you some idea of what it would cost a year.

Mr. BRITTEN. Do I understand that it would cost a great deal less to run the Government ships?

Admiral BLUE. No; less to run the merchant ships.

Mr. BRITTEN. Less to buy them outright and run them?

Admiral BLUE. Of course, the first cost—

Mr. BRITTEN. Including the first cost, which would be the more economical?

Admiral BLUE. After 20 years' time?

Mr. BRITTEN. Yes, sir.

Admiral BLUE. It would be more economical to build merchant ships, but if Congress desires us to use naval vessels already built, we are prepared to do so.

Mr. HENSLEY. In answering Mr. Britten's question, did you take into consideration the overhead charges and the fact that the officers will be on the payroll of the United States, whether engaged in this service or not?

Admiral BLUE. Yes, sir.

Mr. HENSLEY. And in the face of that it would be more expensive?

Admiral BLUE. Yes, sir. Of course, we would utilize the services of retired officers, and the Government pays them now three-fourths pay. Many of them are anxious to go into the service. I have already had applications. They are anxious to get into this service. That would mean one-fourth more to pay them, and we could get a

captain of a ship, for instance, for \$1,000 to \$1,100 a year. That is all it would cost us to get a captain.

Mr. TALBOTT. In addition to the three-quarters pay?

Admiral BLUE. Yes, sir; but that is what they are now paid already. We would have to pay them \$1,000 to \$1,100 a year more.

Mr. STEPHENS. Have you figured the cost of operation between South America and the ports of New York, Boston, and Philadelphia?

Admiral BLUE. No, sir. Not from those ports, as I think it best to get as short a sea voyage to Panama as possible. That would be more economical to operate.

Mr. STEPHENS. Do not the most of the goods shipped from the United States to South America go from those ports?

Admiral BLUE. The freights, yes, sir; but the start with a fast mail line for the purpose of developing trade, it would be more economical to run from a southern port. This would save time as well as money. Later on if the business should warrant, freight carriers would be run from the northern ports, touching at intermediate ones.

Mr. STEPHENS. The mail terminals in the United States to-day are New York, Boston, and Philadelphia?

Admiral BLUE. No, sir; not necessarily for South American ports. If at the same time four letters for Panama are mailed in Washington, one to go via New York, one via Charleston, one via Key West, and one via New Orleans, and 15-knot steamers leave these ports for Panama immediately upon arrival of the trains from Washington with the mails, the letter which takes the New York steamer will be about a day behind all the others; the one which takes the Charleston route will get there in five days; the one which takes the Key West route will get there in five days, less three hours, and the one which takes the New Orleans route will get there in five days, plus 13 hours.

Mr. STEPHENS. Are there mail routes in operation at the present time from all those ports?

Admiral BLUE. Only from New York and New Orleans.

Mr. STEPHENS. You can send a letter from here via Key West to via New Orleans to points in South America?

Admiral BLUE. You can not now from Key West, but you could if a line is established with that port as terminal.

Mr. STEPHENS. Right now?

Admiral BLUE. No, sir; except from New Orleans. There is a line of steamers running from New Orleans to Colon. The mail can go that way now.

Mr. STEPHENS. What is the difference in time between Charleston and Los Angeles, Cal., to ports in Chile?

Admiral BLUE. If you wish to send mail from Los Angeles, Cal., you would not send it from there by steamer. You would send it by rail to New Orleans. I have made both trips. The one takes 23 or 24 days by water. The other one by water up to New Orleans and then by rail over to—

Mr. STEPHENS (interposing). You are talking about what was, not what is or will be so far as time is concerned.

Admiral BLUE. It would be much less if a 15-knot vessel traversed the route without stops.

Mr. STEPHENS. If you had a Government line between Charleston and Peru and one between Los Angeles and Peru, what would be the time used by each?

Admiral BLUE. To go from Los Angeles to Panama it would take a 15-knot vessel a little more than eight days. The distance is 2,912 miles.

Mr. STEPHENS. And from Charleston?

Admiral BLUE. To Panama?

Mr. STEPHENS. Yes, sir.

Admiral BLUE. The distance is 1,580 miles. The time at 15 knots would be four and three-fourth days.

Mr. TALBOTT. They could ship the mails from Los Angeles to New Orleans and put them on vessels?

Admiral BLUE. Then the mail could go by steamer down the coast.

Mr. STEPHENS. The mails should and will go direct from Los Angeles to Panama as soon as the contemplated all-water, direct steamship line is established between Los Angeles, now the largest city on the Pacific coast, and Panama. It will be in operation soon after the Panama Canal is opened.

It will then take less than 8 days, probably only 6 days, for mails to go from Los Angeles direct to Panama, whereas now it takes 3 days 2 hours from Los Angeles to New Orleans and 5 days 13 hours from New Orleans to Panama, a total of 8 days and 15 hours.

Mr. ROBERTS. Admiral, did I understand you to say that these four cruisers would run down from Panama to Chilean and Peruvian ports?

Admiral BLUE. Three vessels can do the work from Panama, while it would require five from United States ports. We could take three that might be immediately available and put them right on, and they could be started running from Panama down the coast, leaving Panama every 10 days. When the two others become ready we could put them on, but instead of having Panama as the terminal we could let them run from New Orleans, Charleston, Key West, or from some other Southern port.

Mr. ROBERTS. I understood that they were all to be engaged running from Panama down the west coast, and that the mail would be sent by other lines to Panama and these vessels would take it from there on.

Admiral BLUE. You failed to get exactly what I intended to say. We might not have them all ready immediately. Say we wanted to start this matter at once, we could put about three vessels running from Panama down the coast, and when the other two are ready we could just throw them right in, but instead of having them use Panama as a terminal, we would let them come to one of the ports of the United States, the five vessels running all the way from New Orleans or other port to Valparaiso. It would require five vessels on this route to keep the same schedule that three could keep if Panama was the northern terminal.

Mr. TALBOTT. Would not that save the Government a great deal in not having to handle the freight and mail so many times?

Admiral BLUE. Yes, sir; it would be more convenient, but five vessels would cost more to operate than three.

Mr. ROBERTS. You speak of having terminals at New Orleans, Key West, and Charleston. What is the plan of the department? Is it their design to have three of them—one at New Orleans, one at Key West, and one at Charleston?

Admiral BLUE. No, sir; one of those places, or some other equally well situated would have to be selected.

Mr. ROBERTS. Is it the design to have two other lines with termini in this country?

Admiral BLUE. We should have only one terminal for the fast mail line. I do not see the necessity of having more than one terminal to start with, either at New Orleans, Charleston, or Key West. I mention those three places, not that they have been selected, or even considered, but because they are conveniently located.

Mr. TALBOTT. Of course, the postal rates are fixed by the Post Office Department?

Admiral BLUE. Yes, sir.

Mr. TALBOTT. And all money is collected by the Post Office Department. How would you do about that?

Admiral BLUE. We would make a contract with them just as other vessels do. They would simply transfer the contracts to us when they expired.

Mr. TALBOTT. Then, there should be something in this bill to provide for that.

(Thereupon the committee adjourned to meet to-morrow, Wednesday, August 12, 1914, at 10.30 o'clock a. m.)

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS,
Friday, August 14, 1914.

The subcommittee this day met, Hon. J. F. C. Talbott (chairman) presiding.

**STATEMENT OF HON. JOSEPHUS DANIELS, SECRETARY OF
THE NAVY, ACCOMPANIED BY REAR ADMIRAL VICTOR
BLUE, CHIEF, BUREAU OF NAVIGATION.**

Mr. TALBOTT. Mr. Secretary, this is a subcommittee to consider Senate bill 5259. I wish you would give to the committee, in your own way, sir, your views about this proposed legislation.

Secretary DANIELS. Mr. Chairman and gentlemen of the committee, this is a measure that did not originate with the Navy Department. It was introduced in the Senate, and we were requested to state what the Navy could do if Congress should decide to authorize the use of naval vessels for mail, express, and freight to South American ports, where we have a very poor service as to all three of those matters.

I will say that before the bill was introduced Senator Weeks talked to me about it and asked me what I thought the Navy could do and what I thought, in time of peace, of the use of certain naval vessels for this service. We had several conversations about it. I told him I had an ambition that suitable naval vessels should be utilized in time of peace for any service which the country might desire; that there were certain ships which could be used, and that I heartily approved of the plan. When the bill was sent to the department for comment we gave a great deal of attention and care to it. I sent to the Senate Committee on Naval Affairs a letter which you have in the printed record. This letter really gives all the information that the Navy has about this proposition.

You will observe that this letter refers entirely to carrying mail, express, and freight, not of large bulk, to South American ports, where the United States has very little trade now. It was our idea that the mail ships would be pioneers and not that we should go in to make the Navy a trade-carrying service on a large scale.

Mr. TALBOTT. Mr. Secretary, where would you draw the line?

Secretary DANIELS. That is the great difficulty, but if the service is needed in South America and we could thereby render a service to commerce and at the same time provide an auxiliary navy, I thought it would be a very good thing for the country to do, and the Navy is ready to do it, if Congress wishes us to.

In the Senate they added an amendment, as I understand, that the legislation should apply also to European countries. That amendment was never referred to the department, and we have never given any opinion about it. Of course, if that amendment were incorporated in the bill and we were directed to carry out the legislation—

Mr. TALBOTT (interposing). They inserted an amendment "and the countries"?

Secretary DANIELS. Yes. Of course, under present conditions if the bill was passed with that amendment incorporated the Navy would not think of sending a ship to any place that would violate our principle and policy of strict neutrality.

Of course the Navy recognizes that if we were to send a ship with grain to a country at war and that country had put grain in the catalogue of contraband or conditional contraband, we would be getting into trouble, and that is the last thing we wish to do, because the chief thing we have done since the war cloud appeared in Europe has been to impress every naval officer with the importance of the most perfect neutrality, that naval officers should not even discuss the war and should not express any opinion, but that we should preserve our neutrality so perfectly that no nation could have the least grievance against America.

Mr. TALBOTT. Mr. Secretary, if this bill should be reported favorably do you not think that you should get an opinion from the Attorney General as to whether or not there should be an authorization for the Postmaster General to contract with you? That provision is not in this bill.

Secretary DANIELS. I had not considered that. I think so.

Mr. TALBOTT. Will you get the views of the Attorney General and let us have them?

Secretary DANIELS. I will.

Mr. WILLIAMS. Mr. Secretary, can we put this plan into operation with South America in time to be of very much benefit to the trade during this war trouble, if it should not last more than a year?

Secretary DANIELS. Yes.

Mr. WILLIAMS. Can it be put into immediate effect?

Secretary DANIELS. I would not say immediate effect. How long, Admiral, would it be before we could put some of the ships on this work?

Admiral BLUE. We could put some ships on within a very few weeks.

Mr. WILLIAMS. Could you put on enough vessels to carry suffice freight to be an item of interest?

Secretary DANIELS. I think we could. We can carry in one collier 300,000 bushels of wheat or 28,000 bales of cotton.

Mr. TALBOTT. We do not ship cotton to South America?

Secretary DANIELS. That shows the volume which could be carried—how much we could carry. It may be a small help, but at the present time the South American situation may be altogether—

Mr. STEPHENS (interposing). Mr. Secretary, you have some colliers named in the letter?

Secretary DANIELS. Yes.

Mr. STEPHENS. Was it not stated that you do not contemplate carrying over 200 tons of freight on any collier?

Admiral BLUE. Those were not colliers; they were the cruisers.

Secretary DANIELS. The cruisers would be for mail and for small packages.

Mr. ROBERTS. The packages would have to be small in order to get them into the storage places.

Secretary DANIELS. A considerable portion of the freight that goes to South America are parts of machinery, and other light or small articles, which we could carry very well. Of course, this is a matter that is entirely new, but I do not see why it would not be perfectly feasible. As a pioneer service it would be of very great value, it would give us an auxiliary to the Navy, and it would enable us to use retired officers who are now unemployed. If it did not work well, it need not be permanent.

Mr. STEPHENS. Mr. Secretary, do you think the United States could establish trade by this means at as small a cost as in some other way?

Secretary DANIELS. I would not say that we could.

Mr. STEPHENS. Do you not think, Mr. Secretary, it would be a tremendously expensive experiment?

Secretary DANIELS. If you count the entire cost, it would be expensive; but we have the ships, we have the men, and we would utilize many of them who would otherwise not be utilized directly, and we would not lose them for any naval use for which they might be needed.

Mr. STEPHENS. Having in view the limited number of vessels you could put into a trade of this kind, do you think it the best way for the United States to pioneer?

Secretary DANIELS. It is the only immediate way. It is the only way we could do it and make the vessels auxiliaries to the Navy.

Mr. STEPHENS. Would you prefer the Weeks plan to having the Government purchase a certain number of ships, add them to the Panama fleet, and use them in such a trade?

Secretary DANIELS. I think it would be very wise to purchase ships if private enterprise halts. I think it would be very wise to do both.

Mr. STEPHENS. Do you favor, in a general way, the purchase by the Government of a certain number of vessels to be added to the Panama Railway Co.'s fleet in order to pioneer for trade with South America?

Secretary DANIELS. I personally approve of the bill pending in the Senate, introduced by Senator Newlands, authorizing the purchase of ships.

Mr. STEPHENS. You think it would be a good idea, Mr. Secretary, for the Government to engage in freight carrying by water between

the two coasts of the United States and South America, as a pioneer proposition?

Secretary DANIELS. As a pioneer proposition; yes. I would not favor this bill but for the fact that we absolutely have hardly any ships going to those places in South America, and we have very little trade compared with what we should have. As a pioneer proposition, and particularly now in the present emergency, I think it is well worth trying.

Mr. STEPHENS. Is it your idea that the Government should dispose of its line later on?

Secretary DANIELS. I think that is a matter for future consideration. Of course, if individuals and companies should come in after we had pioneered the trade and were able to take care of it—I think our service should be rather a pioneer service—and if they were to go into Valparaiso and carried the trade, we could go to some other place.

Mr. STEPHENS. Do you not think that it would be entirely practicable for the Government to establish a regular freight and passenger business to South America?

Secretary DANIELS. Entirely practicable; but I would not recommend or advocate that if private enterprise was already doing it. I would not advocate the Government interfering with private enterprise and pushing it out. I would be in favor of making this an opening wedge for an immediate service, a pioneer service, and then doing whatever was best for the American people. If you had plenty of private companies willing to carry this trade in their own bottoms and they could do it cheaper than the Government, I would let them step in and do it, and we could pioneer somewhere else.

Mr. STEPHENS. Is it your idea to pioneer and also regulate?

Secretary DANIELS. Yes; both.

Mr. TALBOTT. You hardly mean cheaper than the Government as to the mails; only as to the mails?

Secretary DANIELS. I mean carrying the mails. I mean, also, that if we were to go to a certain South American port and the trade there should develop and become very large, so that private companies would go into that trade, then we could go into another port and pioneer that. I should say that we could change our sailings; but, of course, that is an offhand opinion.

Mr. WILLIAMS. Is the real, prime, and principal purpose of this proposition to afford a convenient outlet and convenient communication for freights at this particular time, or is the real purpose to build up and establish a future trade?

Secretary DANIELS. This bill was drawn and approved, without reference to this particular time, to reach the South American trade and mails, which are not now reached or reached through foreign countries.

Mr. GERRY. Would not these cruisers be enormously expensive, and are not they more expensive than the merchantmen of the same size?

Secretary DANIELS. They are more expensive vessels, but if this service should continue we could replace them as we got new ones and enlarge the service by ships which would not be so expensive. That would be my idea. That is the reason I would be in favor of buying or building some ships. If the service was permanent and satisfactory we would add to it, and we would make the additions

auxiliaries of the Navy and build the new ones more along the lines of commercial ships than now.

Mr. WILLIAMS. Mr. Secretary, I saw in the Chicago Tribune a few days ago a very strong editorial in which they condemned this bill as degrading the Navy and diverting the Navy to purposes for which it was not intended, intending thereby to humiliate the Navy in the eyes of the officers and of the world. What effect would it have in that direction?

Secretary DANIELS. None at all. On the contrary, the ablest officers in the Navy with whom I have talked about it believe that it would be a service which the Navy could render in times of peace; that it would really help the Navy and give us an auxiliary. I think that is the very best opinion. Of course, I have seen several papers which have said that the naval officers were not made to go into commerce, but were made to fight. We would, of course, largely utilize retired officers who, perhaps, have not displayed the qualities of resourcefulness and initiative in battle, but who are very capable men in navigation and affairs. I think really that feature of it is not to be lightly regarded. But I have no patience with the spirit that this service is not compatible with the dignity of the Navy, and the naval officers I have talked with have no patience with the notion that it would be lowering their dignity. On the contrary, those I have talked with, the ablest officers of the Navy, feel that the Navy should be ready at any time to serve the country in any way, whether surveying—we have ships surveying all the time, and we have ships doing many things—

Mr. ROBERTS (interposing). Until recently you had naval officers inspecting the lighthouses?

Secretary DANIELS. Yes. We should have that now. It was a mistake to take the Light-House Service from the Navy because it gave service to the naval officers which was very valuable. They had training which fitted them for the service. That service gave an auxiliary to the regular Navy.

Mr. ROBERTS. You spoke of one of the purposes of this proposition being to provide additional auxiliaries for the Navy. As I understand it—I may be wrong—the thought of the department is to utilize certain cruisers and certain war craft as pioneers and then to supplement with more auxiliaries. That, of course, is based wholly upon the theory that your pioneer work will develop trade enough to warrant you building the cruisers. Otherwise, you would not get any addition to the fleet. If you go into this proposition with the present craft, absolutely inadequate and extremely expensive, you are not very likely to develop much commerce, are you, not enough to warrant you in spending large sums of money for additional cruisers that would be properly equipped and fitted to carry on the work?

Secretary DANIELS. We will have in a little while now two very large colliers, the best colliers in the world, which are nearly completed at the Mare Island Navy Yard. They will be in commission within eight months, will they not, Admiral?

Admiral BLUE. Just about.

Secretary DANIELS. And we are beginning to build at Boston and Philadelphia supply and transport ships.

Mr. ROBERTS. But it will take a year and a half or two years to complete them?

Secretary DANIELS. Yes. We could do whatever was necessary.

Mr. ROBERTS. That is not bringing in anything additional to what we have already authorized?

Secretary DANIELS. No; not now.

Mr. ROBERTS. Until you have demonstrated the success of this pioneer movement, neither the department nor Congress would be warranted, from the standpoint of results achieved, in ordering any more ships for that trade which could be used as auxiliaries for the Navy?

Secretary DANIELS. You would be ordering auxiliaries for the Navy.

Mr. ROBERTS. That is true.

Secretary DANIELS. You would increase the number. I think we should buy some.

Mr. ROBERTS. I agree with you there. I am trying to follow up your line of argument. Using what cruisers and auxiliaries we have in this pioneer trade, limiting our pioneer movement so narrowly, making it so very expensive, and with facilities so utterly inadequate, if you develop any trade is it likely to make a success of your pioneer movement?

Secretary DANIELS. I think so, in this way particularly: If you had a way by which merchants, manufacturers, and jobbers of this country could have regular sailings to those places not now reached by American ships they would develop trade. What we need in South America chiefly are manufacturers, jobbers, and business men who will study what they need. The European manufacturers and jobbers find out what the South Americans want, and make it exactly as they want it, and they study the kind of facilities they wish for credit and provide them; but our manufacturers have been sending down there what they make and saying, "We make certain shoes; will you buy those shoes?" There was organized a few months ago in this country—a gentleman came to see me about it—an organization to send jobbers into all South American ports, representatives of different kinds of manufacturing establishments, to study what they needed, their conditions, etc., and seek to establish trade. In that way I think this would develop trade better than each private concern could do it for itself.

Mr. ROBERTS. Suppose that we should develop through this pioneer work the fact that there is trade, and suppose our manufacturers were ready to supply the demands of the South American countries, with your limited service you could not deliver the goods to meet the demand?

Secretary DANIELS. We could buy more ships when the demand came.

Mr. ROBERTS. You might not be able to buy the ships. They tell me that is one of the great difficulties about the South American trade—that the people can not get the deliveries when they want them. It seems to me that it would be wasting a great amount of money to undertake the building up of South American trade in this manner, because if we developed the fact that there was a market down there and the people gave orders we could not make deliveries until we had provided suitable ships with which to do it,

and that would defeat the very purpose, because those people are not going to sit around and twirl their thumbs waiting for us to provide transportation for the goods they have ordered.

Secretary DANIELS. Suppose we have this trade established, do you not think when the trade is developed private companies will take advantage of it?

Mr. ROBERTS. They have not yet. Here is another phase that appeals to me quite strongly. It is very obvious to me that the result of this war in Europe, whichever side wins, is going to mean that almost all manufacturing in Europe will be flat on its back for a considerable number of years to come. In other words, after the war closes there will have been such a disarrangement and breaking up of the organized business of those countries that it will take them years to recover. Those nations up to the time that the war broke out were supplying South American countries with things that the South American countries must have because they could not supply them themselves. They are not able to supply those goods and will not be for many years after the war is over. Therefore, South America has got to go somewhere for those goods, and she will be obliged to come to us for such things as we are able to manufacture. We realize, of course, that there are certain things made in the European countries which are not made here, and perhaps can not be made here under the best conditions; but such as we can make there will be an enormous demand for from South American countries, and the problem, as it strikes me, is to supply that demand which is coming to us without our seeking. I am not objecting to the pioneer work, but there is an enormous field to be tilled in the absolute demand that must come to us in a very few months. My thought is this, Mr. Secretary, that if we can establish lines of communication, properly equipped and especially fitted out to meet those demands from South America during this crisis abroad, we will get so firmly fixed in the esteem of the South American people that when the war is over and Europe is again in a position to furnish those things she will still come to us, because we will then have the means of delivery. With that thought in mind, it seems to me that we might as well drop the pioneer idea and get ready right now to meet what is absolutely coming and to do it in a commercial way. Anything we do toward building up a South American trade must be done from a commercial standpoint.

Secretary DANIELS. Of course.

Mr. ROBERTS. The matter of ships at the present time can be fairly well cared for.

Secretary DANIELS. How?

Mr. ROBERTS. By the purchase of ships already flying the flag and by the building of additional ships. In the making of a success of this thing the ships are a comparatively small factor. The terminals are of as much importance as the ships, and in addition to your terminals and your ships you then have to have the whole commercial organization that all steamship lines now have for gathering in the business and handling it. This thing to be successful means a large civilian establishment ashore. It means in addition, to make this thing successful, that you have to have men thoroughly skilled and trained in the running of steamship lines from the commercial standpoint, and not from the pure seamanship standpoint, just as every

successful steamship line has high-salried men who have made a life study not only of the proper handling of their ships and the commercial running of them, but the management of their terminals, and more important than all, the gathering in of the business.

Secretary DANIELS. We have terminals. At New Orleans we have very good facilities of our own. Our officers are capable of doing all that could be required of them.

Mr. ROBERTS. We have in one sense and in another sense we have not. Take New Orleans as an example. Our terminals are on the opposite side of the river from the commercial section of New Orleans.

Secretary DANIELS. Our great terminals are, but we have recently obtained landings in the business section.

Mr. ROBERTS. The business of New Orleans is done on the other side of the river.

Mr. TALBOTT. In my judgment you should have the terminals in the business center.

Secretary DANIELS. We have a very good place in Philadelphia.

Mr. ROBERTS. I am looking all the time at the commercial success of the enterprise.

Secretary DANIELS. That is right.

Mr. ROBERTS. If you are going to make the enterprise commercially successful, you can not handicap yourself by delivering the goods at terminals which are isolated from the railroad tracks and everything else and endeavor to compete with the company that is right in the center of business and which can do it cheaper.

Secretary DANIELS. You mean that at the navy yards we have not got that?

Mr. ROBERTS. We have not got that at the navy yards.

Mr. TALBOTT. I am going to support the bill, because I think that we should open up the trade and show the people that it can be done.

Secretary DANIELS. That is my view. I think as we go into the pioneer work, it being largely necessary, that private enterprise will surely and promptly come in as it is developed.

Mr. ROBERTS. We will have to demonstrate that it is profitable before they will come in, and we can not do that if we are running it on an unscientific basis and at excessive cost.

Secretary DANIELS. We must not at first charge up to the cost of this service what we are spending, anyhow, if we withdraw these ships temporarily from purely fighting service, which we can do in times of peace. Of course, in the Navy there is some difference of opinion. Some of the naval people feel that we should be a fighting force only, and not go aside into this or anything else; but if we go ahead and establish this service we can put a part of the expenditure, as it is now, on military preparedness. I think that this is a very happy time to begin it, and if we are the pioneers and show that there is the trade, and let the world know, for instance, that we have sent the first ship to Valparaiso, I think there is a great deal of private enterprise which will come along and take that trade, and then we can go to some other port.

Mr. TALBOTT. I want something in this legislation that is going to show the people of this country that this is an effort on the part of the United States to establish trade relations with these ports by our people.

Secretary DANIELS. That is the object of the bill.

Mr. TALBOTT. And that when the trade is established the Government is willing to let the private enterprises of this country do it.

Secretary DANIELS. Of course.

Mr. STEPHENS. We know that South America uses millions of dollars worth of foreign goods of all kinds. Other nations than ours supply nearly everything. The United States furnishes only a very small percentage. We know the trade is there, but can we demonstrate to the satisfaction of the South American people that we can supply their needs if we are to use a few Navy vessels carrying 200 tons of freight and have available only two or three colliers as a reserve?

Mr. TALBOTT. I have not any doubt that the trade can be obtained, and the way to obtain it is a matter of detail. When the Government gets the vessels ready for the service, they can advertise that the United States vessel so-and-so is going to sail for such and such a port on such a day, that it is going to stop at such other ports, and that it will carry a limited amount of freight. Let that be a matter of advertisement.

Mr. ROBERTS. Mr. Secretary, do you realize that the mere loading of freight on a boat and unloading it at another port is in one way a detail of commerce; that there are bills of lading and the banking end that have to be handled by your agents?

Secretary DANIELS. Yes.

Mr. ROBERTS. You have to have, in the first place, terminals?

Secretary DANIELS. They use lighters in most of the South American ports.

Mr. ROBERTS. I understand; but that is simply to get the cargo from the ship to the shore. You can not run a ship into a South American port, a Government ship carrying a cargo consigned to individuals, and take that cargo from the ship on a lighter and dump it on the shore. The consignees are not there ready to take care of it. You have to have a freight house to store it until the consignees take it away. Then, you have to have all the mercantile routine connected with deliveries and payments. If this bill should become a law, you would at once find that it would be months and months before you could send a ship out with a pound of freight, because you have no means of handling it at the other end.

Secretary DANIELS. At the present time the needs are so great that they would cooperate with us.

Mr. ROBERTS. But that is on the assumption that you have the trade. The whole theory of the bill is to build it up. If you want to make a success, you must have all of the facilities and not provide the facilities as you go along. That would defeat the proposition. You must be ready to give as good service as they can get from any other line.

Speaking about the ships we have and their accommodations, let us look on the passenger side. There are steamers now running to South American ports on the east coast from New York that are fitted up splendidly—staterooms, with baths adjoining, and all the comforts and luxuries that you would find anywhere except on the very large trans-Atlantic steamers. Those steamers you must compete with.

Secretary DANIELS. Do not many of them go to the west coast?

Mr. ROBERTS. That is true. I have not looked it up, but I apprehend that there is a bigger trade awaiting us on the north and eastern coasts of South America by far than on the western coast. We have got to be prepared with as good facilities as the private concerns can furnish. I do not want to be understood as antagonistic to the idea of building up the South American trade, I am heartily in favor of it. My only thought is how to get at it. I want to get at it from a straight business standpoint, having in mind always that whatever facilities we supply for the trade in the way of ships shall be built and designed and used as naval auxiliaries in time of war. I can not see any way under the present bill of adding any considerable number to the present auxiliary fleet for several years to come, because this whole bill is based on the idea of pioneering. My thought is that you do not have to pioneer to any considerable extent to get an enormous and profitable trade right now.

Secretary DANIELS. In two months we will have the *Cristobal* and the *Ancon*, two good ships.

Mr. TALBOTT. The moral effect of our Navy being in this will have some effect?

Secretary DANIELS. Yes.

Mr. ROBERTS. My idea is that it can be made self supporting as an enterprise, including the interest on the investment, from the start by utilizing the naval officers and the enlisted men to command and man the ships. My thought is to drop the idea of utilizing anything we have now and to start in and build a fleet at once. We can get a delivery within six months of a ship that would cost not more than \$1,500,000 that would be the equal of anything now plying down there, and as desirable, from the standpoint of passenger service, as anything now going to South America. Then you will be able to compete. They will be as good or better freight carriers as any of the other ships and will be magnificent auxiliaries if we need them in war. I think that we should go at the matter from a purely business standpoint, get your terminals, get your shore organization. It will take as long to make the terminal arrangements and get the proper terminals as it will to build the ships. One ship would be ready in six months time and they would be ready to turn them out at the rate of one every two weeks.

Secretary DANIELS. I think we could put some of the ships on within two months.

Mr. ROBERTS. If you had the other arrangements?

Secretary DANIELS. We could make them.

Mr. TALBOTT. You could make the arrangements by cable?

Secretary DANIELS. Yes; we would take capable naval officers on shore duty and send them to make the arrangements.

Mr. ROBERTS. That would be demonstrating what I think already exists; there is the trade there, but the inability to care for it, and it might do a great deal more harm than good to go down to South America and tell those people that some time in the future we are going to give them adequate service and then have a wait of two or three months.

Secretary DANIELS. This is nearly September, and what ships we have now would be a good beginning. Because we can not do it all now, I do not think that we should delay. Let us do what we can.

Let us get the moral effect, as the chairman says, of this and put everything in commission that we can.

Mr. ROBERTS. Your proposition is to carry the mails in a bottom that will cost \$250 a pound to carry the mail. We would be a laughing-stock to the South American people if we sent ships down there under those conditions instead of sending properly equipped ships. They would say that we were crazy to send mail down there at \$250 a pound, with 150 tons of packages in addition, of limited size in order to go down the ammunition hoists.

Secretary DANIELS. You can carry on these ships a great deal of freight. The most valuable freight is in small packages. It would cost much less to carry the mails, I think, than your figures.

Mr. ROBERTS. That is not the kind of freight which would be sent.

Secretary DANIELS. We will get the *Ancon* and *Cristobal*, 9,000 and 10,000 ton ships, in about two months, and we have two ships ready now. We do not need to wait at all. We have the officers and the personnel. Of course at first the personnel will cost more than in some private enterprise. Very good, but, as a matter of fact, much of that expense is going on anyhow.

Mr. ROBERTS. I am not opposed to using the officers and sailors because that is where we are going to make the thing go at the start, because we will get cheaper management than if we had the commercial seamen. I am not opposed to that idea. That is one of the great factors that will make this line successful, the cost of operating the ships, but suppose we had the *Cristobal* and the *Ancon* this minute, and suppose that there was freight ready in New York, would you load those ships and start them to a South American port without having any arrangements previously made for landing and handling that freight?

Secretary DANIELS. If I had them I would load them at once and cable the consul, and he would make the necessary arrangements to land the freight.

Mr. ROBERTS. If the success of your enterprise is going to result in consular assistance, it is doomed to failure at the start.

Secretary DANIELS. I do not agree, but we would not depend upon them alone. I should send a competent business man to look into those matters. Of course, the details you speak of are very important but not difficult.

Mr. ROBERTS. It would not be a wise proposition to send a pound of freight out of this country until all arrangements had been made for its handling at the point of destination?

Secretary DANIELS. You could know in a very few days whether you could do that.

Mr. GERRY. Mr. Secretary, supposing it was a success and that we got a lot of South American trade, do you believe that it would be possible then for us to compete, with the present shipping laws? The trouble has always been that European ships have been able to handle the freight a great deal cheaper than our own ships, and they would be just as apt to take that trade away from us as our own ships would. It seems to me the basic idea of the whole proposition rests upon our present shipping laws.

Secretary DANIELS. I am not considering the changes needed in our shipping laws.

Mr. GERRY. The foreign ships have such a tremendous advantage that it seems to me no matter what you build up it would not help our own people in the end.

Mr. ROBERTS. And the only way we can offset that handicap is by giving something in the nature of a subsidy from our Government. My proposition on the subject is to give the naval officers and sailors. They would be a cheap crew—I do not mean in the sense that they are cheap men—in the cost as compared to what it would cost if we took men from civil life to do that work.

Secretary DANIELS. As to the matter of the merchant marine and all the questions entering into improving it, that does not affect this matter at all, because if we find that we can not keep the trade, after the war is over and foreign countries resume their interrupted trade relations, that will be a matter for Congress and not for the Navy. I am speaking purely from a naval standpoint in this emergency. If in the lack of business from South America the Navy can render this service, not as perfectly or fully as it would like to do, it can do something. Then the service can grow if it is demanded. We have the whole matter in our hands.

Mr. ROBERTS. Admiral Blue told us the other day that it was contemplated to establish a line from one or more American ports on the Gulf or the Atlantic and to use the Panama Canal to the western ports of South America. The vessels engaged would be the property of the United States engaged in commerce, and would we have to pay tolls through the canal for those vessels?

Secretary DANIELS. I have not looked into that.

Admiral BLUE. Yes; the Government vessels have to pay tolls under the act.

Mr. ROBERTS. That is what I have claimed would result.

Secretary DANIELS. I have not looked into that question.

Mr. WILLIAMS. Do the warships going through the canal under the present schedule pay tolls?

Admiral BLUE. Yes. It is simply a transfer of funds from one part of the Government to another. It comes from the Navy Department and goes to another part of the Government.

Mr. ROBERTS. How are we transporting coal that is used for strictly naval purposes at this time?

Secretary DANIELS. In colliers.

Mr. ROBERTS. Government or private colliers?

Secretary DANIELS. Government colliers on this side, and we make contracts under competitive bidding on the other side.

Mr. ROBERTS. Would the withdrawal of any of the colliers mentioned in your letter mean the employment of additional private colliers for the transportation of coal, the chartering of freight colliers to handle the coal of the Navy?

Secretary DANIELS. How about that, Admiral?

Admiral BLUE. I have not looked into that part.

Mr. ROBERTS. It certainly would mean that.

Admiral BLUE. At the present time we do make contracts with vessels to take the coal out there.

Mr. ROBERTS. Do we not utilize the colliers so far as they will serve in transporting our own coal?

Admiral BLUE. On this side, yes.

Mr. ROBERTS. If we are utilizing all of them now and we should withdraw some of them that would necessarily mean that we would have to employ additional private colliers?

Admiral BLUE. That is a question which will have to be disposed of when we get up to it. I can not say now whether it would be necessary to do that.

Mr. ROBERTS. With the withdrawal of these colliers and putting into use the colliers now building, would we still have naval colliers sufficient to handle all the coal for the Navy?

Admiral BLUE. We seem to have enough now, with the exception of taking coal to the Pacific coast.

Mr. ROBERTS. Of course we have enough now. I am speaking about withdrawing colliers from carrying our own coal and putting them on the commercial routes to South America.

Admiral BLUE. I imagine that we would not withdraw colliers that would be necessary for our own use.

Mr. ROBERTS. You mention here some colliers?

Admiral BLUE. Three colliers in that list would not be used for carrying coal anyway, because they are unsuitable. Then there are the two ships to be turned over to us by the Panama Canal Commission. Those were not built for colliers.

Mr. ROBERTS. They are cruisers?

Admiral BLUE. But they will belong to the Navy as soon as the canal is completed.

Mr. ROBERTS. The *Hector*, *Mars*, *Vulcan*, *Cyclops*, *Neptune*, and *Nanshan* are the six colliers utilized in carrying coal for the Navy?

Admiral BLUE. Yes. We have a number in reserve, not doing anything at the present time.

Mr. ROBERTS. How many of these six colliers are in reserve?

Admiral BLUE. Two.

Mr. ROBERTS. I am speaking of the ones mentioned in this list.

Admiral BLUE. We change them from time to time in reserve, and give them a chance to be overhauled. I can not tell you exactly which are in reserve now.

Mr. ROBERTS. Is that a reserve period or a repair period?

Admiral BLUE. It is a reserve period, because we have not any use for them at the time, and we simply lay them up to save expense. Of course, we utilize that as the repair period, too.

Mr. ROBERTS. Please put in the record how much time in the last two years the colliers *Hector*, *Mars*, *Vulcan*, *Cyclops*, *Neptune*, and *Nanshan* have been in reserve, and how long they have been in actual use.

Secretary DANIELS. Do you wish us also to give the whole collier situation?

Mr. ROBERTS. Yes.

How do you get the coal at the present time from the Atlantic to the Pacific side?

Secretary DANIELS. We have it carried mostly by contract.

Mr. ROBERTS. It is done by private colliers?

Secretary DANIELS. It is.

Mr. ROBERTS. When the canal is open will that policy still be carried out?

Secretary DANIELS. When we get the Panama Canal we will probably carry most of it through the canal.

Mr. ROBERTS. In Navy colliers?

Secretary DANIELS. I think so.

Mr. ROBERTS. Does not that indicate that we will have use for all the Navy colliers in handling the Navy coal and that it would be unwise to withdraw any of them for commercial purposes?

Secretary DANIELS. I think with the new ones building that we will have some that we can withdraw. We could employ our colliers all the time. Now they are used only when necessary.

Mr. ROBERTS. I have had the impression that you have not had colliers enough.

Secretary DANIELS. I do not think that is correct. With the new ones building we will have enough, and besides we are using so much more oil. All the new ships will be oil burners, and so we will have less work for the colliers to do.

Mr. ROBERTS. That will be somewhat in the future?

Secretary DANIELS. Yes.

Mr. ROBERTS. It would not be very safe to withdraw the coal-carrying colliers just now?

Secretary DANIELS. We have the coal delivered at Hampton Roads and many of the ships coal there instead of having so many colliers. We also have coal capacity at Melville in your State, Mr. Gerry.

Mr. GERRY. Yes.

Secretary DANIELS. And in Mexico we have more use for colliers than at ordinary times.

Mr. GERRY. Is it not possible that this question really rests more upon our present merchant marine laws than it does upon anything else? If those laws were amended, American shipping enterprise would come in and develop the South American trade without any Government aid. Is not that really the whole crux of the situation?

Secretary DANIELS. Just at the present time everything is tied up by war.

Mr. GERRY. I understand that there are a great many Norwegian vessels idle that possibly could be purchased. So I have been told.

Secretary DANIELS. You hear that, but when you talk about purchasing one you are apt to find either that you can not or that the price is so exorbitant that you can not think about doing it. Of course, if the war lasts much longer the ships tied up in our harbors now, eating their heads off, will probably be sold. We might be able to purchase some at a bargain if we could buy at all without international complications.

Mr. STEPHENS. In my own city of Los Angeles a company is being organized now, and I understand it has progressed pretty well toward completion. It will put its vessels in the South American trade, provided the shipping and registry laws of the United States are so amended as to make a venture of this kind fairly remunerative.

Secretary DANIELS. I understand that both the committees of the Senate and House are now discussing the merchant marine and shipping laws questions. I am not prepared to say what shipping legislation Congress should enact.

Mr. STEPHENS. This corporation is a \$10,000,000 corporation, and our people are able to handle it.

Secretary DANIELS. The difficulties about the merchant marine and the desire of having it are so apparent to all of us that I do not feel that the bill under consideration should be affected by the varying views on legislation.

Mr. ROBERTS. I was informed yesterday that there are in Galveston Harbor 10 or 12 transports under charter of \$1,000 a day and that they have been there for months. Do you know anything about that?

Secretary DANIELS. No.

Mr. ROBERTS. I understood that they had been chartered by the War Department to carry the brigade down to Vera Cruz in case of necessity.

Secretary DANIELS. I do not know about that. We chartered some ships for a certain period to carry the marines down, but that terminated long ago.

I want to say this, gentlemen, the Navy is ready and willing to put everything it has in men and ships in this service if it can render it wisely and well for the country. We are not pressing for legislation to do what we all recognize is a very difficult job—one which it will be very hard to perform—but if the Navy was not ready in any emergency to put everything it has in men and matériel under contribution I would not say that it was serving its purpose. You must be the judges as to the necessities and whether we have the capacity to begin this service.

Mr. ROBERTS. Mr. Secretary, can we spare 2,500 enlisted men from the Navy now for commercial work?

Secretary DANIELS. I do not call it sparing them. We will need some more men.

Mr. ROBERTS. Perhaps I did not phrase my question right. If we should take 2,500 enlisted men and put them in this commercial work, would we need 2,500 more men?

Secretary DANIELS. We would need more men.

Mr. ROBERTS. Then there would not be any economy?

Secretary DANIELS. We would not have to have so many.

Mr. ROBERTS. The proposition of the Navy Department calls for an authorization of additional men?

Secretary DANIELS. Yes; but the matter of additional men would be a matter of future needs.

Mr. ROBERTS. They would be for additional battleships?

Secretary DANIELS. Of course, you would have to have more men to carry on this work.

This is what the bill says:

The enlisted strength of the Navy, as now or hereafter authorized by law, is hereby increased by the number of men required to man the vessels so employed, and the Secretary of the Navy is hereby authorized to enlist such number of men in the Navy for such terms of enlistment, not to exceed four years, as may be desirable, and to distribute the number of men so enlisted among the various ratings of the Navy.

Mr. ROBERTS. That is one objection which would be raised to this legislation.

Mr. WILLIAMS. Suppose that the plan you propose here, Mr. Secretary, is adopted in modified form or substantially as recommended, it could not in any way interfere, could it, with the plan of private corporations or citizens to establish commercial communication to

South America; that is, either as indicated by Mr. Stephens or Mr. Gerry, it would not interfere?

Secretary DANIELS. Instead of interfering I think it would accelerate and help. I think we would develop the trade and develop conditions, and private companies would follow.

Mr. WILLIAMS. And we would give way to them as they occupied the field?

Secretary DANIELS. By showing our faith in it and our pioneer work, I think it would encourage them.

Mr. GERRY. What international questions do you think would be involved?

Secretary DANIELS. In the matter of the original bill in South America, I think none.

Mr. GERRY. Would the question of transshipments be involved, or is that rather remote?

Secretary DANIELS. That is rather remote; but no action would be taken under this bill that would contravene our policy of neutrality. As to the words "and the countries of Europe," it might be well to add a proviso that no shipments should be made to any country that would violate the principle of neutrality of the United States.

Mr. TALBOTT. I think that is guarded against.

Mr. WILLIAMS. As an experiment, would it not be well to limit it to South America, especially when there is danger of foreign competition?

Secretary DANIELS. That was my original idea; but still this might be said: Suppose in the course of the next two months some countries at war should want wheat or cotton and wished us to export it, and suppose that there should not be enough ships to carry this trade, and they should ask us to send them wheat and cotton to help them?

Mr. TALBOTT. You could not do that.

Secretary DANIELS. You could not ship it unless they wanted it.

Mr. TALBOTT. You could not do it then, I do not think. I mean that you could not consign a cargo of foodstuffs or war supplies to any of the nations engaged in this war to be reshipped to them from a neutral port.

Secretary DANIELS. My idea about it is that, the Senate having passed this bill and the country being keen to have Congress and the administration—all one—do everything it can to help in this emergency, it would be very wise to make this experiment.

Mr. TALBOTT. Mr. Secretary, we are very much obliged to you.

Mr. ROBERTS. Admiral, on this last sheet which you gave me, dated December 14, 1913, information about the colliers, officers, and men strikes me particularly. Take the *Hector*, for example. This type-written sheet shows she has 3 officers and 20 men. That is the crew that you have on her when she is in reserve?

Admiral BLUE. That is the crew we have on her when she is in reserve.

Mr. ROBERTS. Now, do the figures in this printed report, Senate Report 718, represent the number of officers and men required when she is in commission? That gives 7 commissioned officers and 6 warrant officers, making a total of 13, and 113 in the crew. That is when she is in full commission?

Admiral BLUE. That is, when she is in full commission. That is right.

Mr. ROBERTS. Now, I have not had time to compare this; but I notice you have a big collier here in the service—

Admiral BLUE (interposing). The *Cyclops* is a big one, and the *Jason* is another big one.

Mr. ROBERTS. The tonnage of the *Cyclops* is over 10,000.

Admiral BLUE. Twelve thousand five hundred.

Mr. ROBERTS. And the *Hector* is 6,500. Now, the *Cyclops* has 13 officers and 91 men. On this typewritten sheet you give the *Cyclops* 91 men when she is in commission, and yet here, in the printed report, you give her 134 men. How did that happen, Admiral?

Admiral BLUE. The crew that is given here is the civilian crew, and we propose to give her a Navy crew.

Mr. ROBERTS. She has a civilian crew now?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. And if you put a Navy crew on her, you will increase it?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. Why is that necessary? I am only asking for information.

Admiral BLUE. Well, it is due, principally, to the periods of employment of men in the Navy and in the merchant service. More is expected of men employed only for a short time than of those enlisted for long periods. In the merchant service men are frequently shipped for only one voyage, and much in the way of manual labor is required of them. Besides, they are usually men of mature age and receive a greater wage in the lower ratings than the men of the Navy.

In our organization on board ship there are certain things that require more men than are actually required for running the ship itself.

Mr. ROBERTS. Now, is it a fact, Admiral, that the merchant-marine sailor is more efficient than the Navy sailor?

Admiral BLUE. I would hardly say that; and certainly not when you consider the general duties of a man-o'-war'sman.

Mr. ROBERTS. Well, does not that follow from what you said, that it takes more Navy men than civilian men?

Admiral BLUE. Well, for one thing, it is customary on board ship. I suppose we could get along with practically the same number if mature men are selected, but you must remember what our sailors are. They are young men, mostly from the farm, who have been sailors only a short time. Many of them are boys, and we can not expect them to do the manual work of the foreigners who make up the crews of merchant ships and who are accustomed to nothing but a seafaring life. Besides, we wish to Americanize this service.

Mr. ROBERTS. Could you not pick out husky men for the service?

Admiral BLUE. Well, it would be very difficult to pick them; we must take them as they come. You must realize that nearly half of the men in the Navy are really boys and that the life of a man-o'-war'sman is different from that of a merchant seaman.

Mr. ROBERTS. I realize that.

Admiral BLUE. It is really a man's work that they have to do when it comes to manual labor and you could hardly expect boys to do it; we have to have more of them; that is, make up in numbers in the lower ratings what is lacking in bodily strength.

Mr. ROBERTS. In Table A in the printed report are the costs based on yearly cost? I judge from the large figures that they are. I am

following the *Cyclops*, for instance. Pay of officers, \$35,000; retired pay, \$25,000. Pay and subsistence of men—that is based on 134, I suppose?

Admiral BLUE. That is based on 134.

Mr. ROBERTS. And that is the yearly pay?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. While this other is monthly?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. That is what I wanted to know, for the purpose of comparison. Admiral, could you get any figures as to the relative pay of the maritime sailor and the Navy sailor?

Admiral BLUE. I have no figures on that; but generally the wages in the merchant service are much higher for men of the lower ratings. You can take the figures, as they are given there, on the pay of men in the collier service. The merchant sailors' pay is approximately the same, except that in a great many cases in the merchant service they get a great deal more in the lower grades. That is as near as I can get at the merchant figures.

Mr. ROBERTS. In this typewritten paper, "Colliers in service," the pay rate is based on civilian crews?

Admiral BLUE. Yes; civilian crews. Here are the wages of those men given in detail on this sheet [indicating], and that is approximately the same as it is in the merchant service, except that in some cases the merchant service pays higher wages.

Mr. STEPHENS. How much more work do you think a civilian crew could do than a crew taken at random from the Navy, during the same period of time?

Admiral BLUE. Well, that is a hard question to answer; it could not well be estimated. I could pick a crew from the Navy and you could pick one from the merchant service, and no doubt, mine would be very superior.

Mr. STEPHENS. But you said a moment ago that a civilian crew is probably more expensive.

Admiral BLUE. Yes, sir; man for man.

Mr. STEPHENS. Now, how much cheaper is a Navy crew than a civilian crew, generally speaking.

Admiral BLUE. I think that will be shown by those figures Mr. Roberts has, which I gave him.

Mr. ROBERTS. Let me ask you about this statement dated December 14, 1912, "Maintenance naval auxiliaries." Just what is that based on, transports or what?

Admiral BLUE. Oh, that is based on the merchant ship complements of the colliers, including the *Solace*. The hospital ships are run in the same way. They are called naval auxiliaries and they are run with civilian crews under the navigation laws of the United States.

Mr. ROBERTS. This gives the entire number in the auxiliary service?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. The number of each rating?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. The number of men in each rating?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. Then, by this ratio, simply taking the number of officers that are called for in the other sheet and then looking at their pay here, you could get the pay of any naval auxiliary?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. I do not know whether we asked you about any figures in regard to the mails.

Mr. MADDOX. I have those. I would like to submit those to go in the record.

Mr. ROBERTS. I would like to have these also in the record, all those tables.

Mr. MADDOX. All right.

Mr. ROBERTS. I have the post-office figures here now. This paper does not separate the amount going to the separate countries. This is the lump that has gone across the Isthmus?

Mr. MADDOX. You will see the amount is carried down on the other page. The amount sent to Colombia, Peru, Chile, Ecuador, and Bolivia, via Panama, is 186,697,297 kilograms. The first amount gives that which went to Colon.

Mr. ROBERTS. But these are kilograms. The admiral will probably want to put that in the hearing. I do not know that there is anything further I want to ask the admiral.

Mr. WILLIAMS. Mr. Chairman, I understood the admiral had not finished his statement the other day. If he has anything further to add, I would be glad to hear him.

Admiral BLUE. I have nothing further to add. As I look at it, I was only called up here to answer questions about this matter—that is, information concerning what the Navy can do if called on.

Mr. TALBOTT. Have you any statement, Admiral, as to the cost of this?

Admiral BLUE. That is all given in the figures that were sent to the Senate and which are published in this Senate Report 718. This gives all the figures and all the data for utilizing all those ships or any number of them. It is not thought that all of them would be required to inaugurate the service.

Mr. GERRY. Is there a report on it?

Mr. TALBOTT. There is a Senate report on the bill.

Mr. ROBERTS. I think there was one other topic that came up before, and I do not know whether you were asked to give any figures on it, and that is the number and description of the ships now engaged, under whatever flag they may ply, in the South American trade from any American port.

Admiral BLUE. On the west coast, you mean?

Mr. ROBERTS. From west coast ports down, from east coast ports down, and from the east coast of our country through the canal and down.

Admiral BLUE. On the west coast of South America they are running three lines of steamers—one under the British flag, one under the Chilean flag, and one line under the Peruvian flag.

Mr. ROBERTS. Now, what are their ports?

Admiral BLUE. They run all the way up, and touch at all the points along the entire coast up to Panama.

Mr. ROBERTS. Do they go north of Panama?

Admiral BLUE. Not these lines.

Mr. STEPHENS. Do they transship at Panama?

Admiral BLUE. They transship at Panama, and the time that is made by those steamers from Valparaiso to Panama is 19 days. Of course, they do not come direct; they touch at way ports all along

the coast to take on freight and passengers, so it takes them a longer time to make the trip than if they ran direct from Valparaiso to Panama.

Mr. ROBERTS. Were you able to secure a list of those vessels and their tonnage?

Admiral BLUE. I have a general description of them.

Mr. ROBERTS. Perhaps it will save time for you to put in the record, when the hearing comes to you, whatever details you have about those ships.

Admiral BLUE. Well, Mr. Roberts, I have not made a study of all the commercial lines and conditions of this kind in South America because I did not think that that was what I was here for. I came simply to explain what we are able to do with the material that we have at hand. I know incidentally of three lines, but I have not the information to give you on all points about which you inquire.

Mr. ROBERTS. I understand. Your information from the standpoint of the Navy is pretty full, but we are taking a pretty broad view and we want information from all sides.

Mr. TALBOTT. We will be better able to take care of the bill when we have all the information possible.

Mr. ROBERTS. I think perhaps we can get that information from the Commissioner of Navigation.

Admiral BLUE. You could, no doubt.

Mr. ROBERTS. It seems that his office ought to have information about all that shipping, and I did not know but what the admiral had collected it.

Admiral BLUE. No, sir; I had not collected that, but I know incidentally—I made a note of it the other day—that of the vessels plying from Panama to Valparaiso, the Pacific Steam Navigation Co. has 43 vessels, with an average tonnage of 3,000, only 11 of which, having a tonnage of 5,000, ply between Panama and Valparaiso. The Compañía Sud Americana, of Chile, has 20 vessels, with an average tonnage of 2,000 tons, only 7 of which, with a tonnage of 2,500 tons, ply the entire route; that is, between Valparaiso and Panama. Then, from Panama to Callao there are 5 vessels with an average carrying capacity of 4,000 tons each.

Mr. ROBERTS. Is that under the Chilean flag?

Admiral BLUE. That is under the Peruvian flag. So that, you see, there are 43 vessels under the British flag, 11 of which are large vessels, the others being small vessels which touch at all intermediate points and act as feeders; the Chilean line of 7 vessels—

Mr. ROBERTS (interposing). When you speak of large vessels you mean vessels of 5,000 tons?

Admiral BLUE. Yes; but the largest Chilean ships have a capacity of 2,500 tons.

Mr. ROBERTS. Their largest is 2,500 tons?

Mr. TALBOTT. That is the largest.

Admiral BLUE. Then we have the Peruvian line of 5 vessels of 4,000 tons. I suppose this information will about answer the question for the Pacific coast.

Mr. ROBERTS. Yes; that gives an idea of about what is there?

Admiral BLUE. Yes, sir.

Mr. ROBERTS. Now, have you any correct data as to the vessels that are plying between American ports and the north and east coasts of South America?

Admiral BLUE. No, sir; I have nothing on that point. The reports of the Department of Commerce would give you everything of that kind.

Mr. ROBERTS. I suppose all those vessels on the west coast of South America have more or less accommodations for passengers?

Admiral BLUE. The large ones all have fairly good accommodations.

Mr. STEPHENS. All that can be found in the hearings held by the House Committee on the Merchant Marine and Fisheries when investigating the Shipping Trust.

Mr. ROBERTS. I do not think of any other point, Admiral. That is all I have in mind.

Mr. TALBOTT. Well, we can reach the admiral without any trouble if we need him again.

Admiral BLUE. Certainly.

Mr. TALBOTT. We will excuse you, then.

(The papers submitted by Admiral Blue are as follows:)

Memorandum showing present status of the naval auxiliary service as to colliers in service and in reserve, complements, cost of pay, subsistence, etc.

[December 4, 1913.]

Ship.	Number.		Pay per month.	Subsistence.	Total.
	Officers.	Men.			
COLLIERS IN SERVICE.					
Abarenda.....	11	30	\$2,038	\$690	\$2,728
Ajax.....	11	44	2,493	858	3,351
Arethusa.....	11	32	2,108	714	2,822
Brutus.....	11	30	2,038	690	2,728
Cæsar.....	11	30	2,038	690	2,728
Cyclops.....	13	91	4,256	1,482	5,738
Jason.....	13	90	4,216	1,470	5,686
Justin.....	11	25	1,888	630	2,518
Nanshan.....	11	30	2,038	690	2,728
Nereus.....	13	91	4,256	1,482	5,738
Orion.....	13	91	4,256	1,482	5,738
Proteus.....	13	91	4,256	1,482	5,738
Total.....	154	760	30,819	13,740	53,559
COLLIERS IN RESERVE.					
Hector.....	3	20	1,053	330	1,383
Mars.....	4	20	1,123	360	1,483
Neptune.....	3	20	1,103	330	1,433
Nero.....	3	17	943	294	1,237
Saturn.....	3	17	943	294	1,237
Vulcan.....	3	20	1,053	330	1,383
Total.....	19	114	6,218	1,938	8,156

Total cost in pay per annum..... \$552,444
 Total cost subsistence per annum..... 188,136

Grand total for colliers in present status..... 740,580

The following colliers, now out of service, could be manned should the occasion arise: *Leonidas* and *Sterling*. Both of these colliers are small.

[Radius of action, maintenance (other than pay), running expenses per day.]

Vessel.	Displacement (tonnage).	Battery.	Speed.
Brooklyn.....	9,215	8 8-inch, 12 5-inch.....	21.9
Salem.....	3,750	2 5-inch.....	25.9
Charleston.....	9,700	14 6-inch.....	22.0
Milwaukee.....	9,700	14 6-inch.....	22.2
St. Louis.....	9,700	14 6-inch.....	22.1
Buffalo.....	6,000	2 5-inch, 4 4-inch.....	14.5
Rainbow.....	4,380	6 6-pounders.....	12.0
Columbia.....	7,350	3 6-inch, 8 4-inch.....	22.8
Minneapolis.....	7,350	3 6-inch, 8 4-inch.....	23.0
COLLIERS.			
Hector.....	11,230	.....	12.9
Mars.....	11,230	.....	12.7
Vulcan.....	11,230	.....	12.8
Jupiter.....	19,380	.....	15.1
Neptune.....	19,375	.....	12.9
Nanshan.....	4,950	.....	10.5
Nero.....	6,380	.....	9.0
Ancon.....	¹ 16,000	.....	11.5
Cristobal.....	¹ 16,000	.....	11.5

¹ Approximately.

[Bureau of Navigation, Dec. 14, 1912.]

Maintenance naval auxiliaries.

[Estimate, \$850,000.]

Rate.	Number.	Monthly pay each.	Monthly subsistence each.	Total year pay.	Total subsistence.	Total pay and subsistence.
Master.....	20	\$200	\$30	\$48,000	\$7,200	\$55,200
First officer.....	18	100	30	21,600	6,480	28,080
Second officer.....	15	80	30	14,400	5,400	19,800
Third officer.....	20	60	30	14,400	7,200	21,600
Chief engineer.....	18	140	30	30,240	6,480	36,720
First assistant engineer.....	20	90	30	21,600	7,200	28,800
Second assistant engineer.....	15	80	30	14,400	5,400	19,800
Third assistant engineer.....	21	70	30	17,640	7,560	25,200
Electrician.....	28	60	30	20,160	10,080	30,240
Clerk.....	21	60	30	15,120	7,560	22,680
Boatswain.....	20	45	12	10,800	2,880	13,680
Carpenter.....	19	45	12	10,260	2,736	12,996
Quartermaster.....	63	35	12	26,460	9,072	35,532
Seaman.....	263	30	12	94,680	37,872	132,552
Water tender.....	27	40	12	12,960	3,888	16,848
Oiler.....	82	40	12	39,360	11,808	51,168
Machinist.....	19	55	12	12,540	2,736	15,276
Boilermaker.....	6	55	12	3,960	864	4,824
Blacksmith.....	7	50	12	4,200	1,008	5,208
Plumber.....	1	50	12	600	144	744
Fireman.....	198	35	12	83,160	28,512	111,672
Coal passer.....	159	30	12	57,240	22,896	80,136
Steward.....	22	50	12	13,200	3,168	16,368
First cook.....	23	45	12	12,420	3,212	15,732
Second cook.....	23	30	12	8,280	3,212	11,592
Messman.....	41	20	12	9,840	5,904	15,744
Cabin boy.....	30	18	12	6,480	4,320	10,800
Chief steward.....	1	70	12	840	144	984
Transportation.....				624,840	215,136	839,976
						10,000
						849,976

RECAPITULATION.

Total persons employed.....	1,200
Total pay.....	\$624,840
Total subsistence.....	215,136
Transportation.....	10,000
Total.....	849,976

Estimated amount required for maintenance of naval auxiliaries during the fiscal year ending June 30, 1914.

[September 19, 1912.]

	Pay and rations of officers and men.	
	Month.	Year.
Cyclops (reserve).....	\$2,532.00	\$30,384.00
Orion (reserve).....	2,532.00	30,384.00
Neptune.....	5,626.00	67,512.00
Nereus.....	5,626.00	67,512.00
Jason.....	5,626.00	67,512.00
Proteus.....	5,626.00	67,512.00
Jupiter.....	5,626.00	67,512.00
Mars (reserve).....	1,064.00	12,768.00
Vulcan (reserve).....	1,064.00	12,768.00
Hector.....	4,597.00	55,164.00
Prometheus (reserve).....	2,795.00	33,540.00
Abarenda.....	2,708.00	32,496.00
Cesar.....	2,708.00	32,496.00
Nanshan.....	2,708.00	32,496.00
Nero.....	2,708.00	32,496.00
Ajax.....	3,241.00	38,892.00
Brutus.....	2,618.00	31,416.00
Saturn.....	2,618.00	31,416.00
Arethusa.....	2,702.00	32,424.00
Solace.....	5,192.00	62,304.00
Increase in officers' pay due to longevity.....	.....	839,004.00
Transportation.....	.....	1,012.00
Total.....	.....	850,016.00

Statement showing the expenditures from the appropriation "Maintenance naval auxiliaries" during the fiscal year ending June 30, 1914, and the estimated monthly cost of maintenance of the colliers now in service.

[August 11, 1914.]

Expenditures, fiscal year 1914..... \$778,100.33
 Estimated monthly cost of colliers now in service..... 70,915.00

STATEMENT OF MR. ROBERT L. MADDOX, SUPERINTENDENT OF FOREIGN MAILS, POST OFFICE DEPARTMENT.

Mr. TALBOTT. Give your name and official position to the stenographer.

Mr. MADDOX. Robert L. Maddox, superintendent of foreign mails, Post Office Department. Mr. Stewart, the Second Assistant Postmaster General, was to come, but he is ill and sent word about half past 9 this morning that he could not come.

Mr. TALBOTT. Mr. Maddox, will you give the committee information as to the mail carried to and from South America, how carried, and what the Government pays for it? I suppose your information is thorough, and we would be glad to have it.

Mr. ROBERTS. May I interrupt just a moment and ask Mr. Maddox if his figures are in English pounds avoirdupois and in dollars and cents, or have you used French kilograms?

Mr. MADDOX. You will find them given in detail; so many grams and so many pounds.

Mr. ROBERTS. The department has made quite a study of this foreign mail subject?

Mr. MADDOX. Yes, sir.

Mr. ROBERTS. Now, I notice in the letter sent to the Navy Department, August 12, 1914, that you show the weights of the mails dispatched from New York and New Orleans to the Canal Zone, Panama,

Salvador, Nicaragua, Honduras, Bolivia, and the Argentine Republic during the present year via Cristobal.

Mr. MADDOX. Yes.

Mr. ROBERTS. It shows the weight of letters and postal cards as 105,125.465 pounds.

Mr. MADDOX. Yes.

Mr. ROBERTS. "Other articles," beside parcel post, consist of what?

Mr. MADDOX. Everything but letters and postal cards.

Mr. ROBERTS. That is, newspapers, etc.?

Mr. MADDOX. Yes, sir. In Postal Union mails there are only two classifications as to transit charges, one for letters and postal cards and the other for "other articles," "other articles" meaning everything except letters and postal cards. The weight of "other articles" was 2,067,827.721 pounds.

Mr. ROBERTS. You have here "Parcel post, 564,637.844 pounds."

Mr. TALBOTT. One minute. Do you send parcel post through the foreign mail?

Mr. MADDOX. Yes.

Mr. TALBOTT. You do?

Mr. MADDOX. Yes. Our parcel post to foreign countries is by special conventions. Parcel post mail can not go in the Postal Union mails; you have to provide specially for it.

Mr. ROBERTS. In the next paragraph you eliminate all mails for the Canal Zone and Panama but give the figures for the other countries mentioned in the first paragraph, totaling 63,600.160 pounds for letters and postal cards, 1,032,164.098 pounds for other articles except parcel post, and 521,537.413 pounds for parcel post. Now, have you separated from that the mails to Peru, Chile, Ecuador, the Argentine Republic, etc.? Did you go into that?

Mr. MADDOX. Do you mean by countries, separately?

Mr. ROBERTS. Yes, by grouping those South American countries on the west coast?

Mr. MADDOX. No, it is all one group.

Mr. ROBERTS. You have the figures somewhere, of course. Will you give us the amount to each of those countries on the west coast of South America?

Mr. MADDOX. Yes, I will do that.

The weights of the United States mails dispatched from New York and New Orleans to and via Panama during the fiscal year ended June 30, 1914, were as follows:

Country.	Letters and post cards.	Other articles except parcel post.	Parcel post.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Canal Zone.....	30,070.79	893,181.33	
Panama.....	11,464.51	142,482.31	43,100.43
Salvador.....	123.79	71,156.22	42,020.05
Nicaragua.....	5,678.83	74,948.69	39,200.28
Honduras.....	939.29	50,712.23	28,649.85
Colombia.....	2,655.99	54,821.73	48,218.64
Peru.....	13,955.59	191,941.01	81,278.72
Chile.....	18,295.83	261,042.83	99,621.07
Ecuador.....	6,397.43	101,660.29	94,952.37
Bolivia.....	3,009.30	64,029.95	87,596.39
Argentina.....	12,544.07	161,851.09	

I have more complete figures for the year 1913 than for the year 1914, and they will be better for your purposes. Now, for the year 1913 our mail service to the countries on the eastern side of South America below Venezuela, including Brazil, Argentina, Uruguay, and Paraguay, cost us in round numbers about \$50,000 on the basis of weights, and to those on the west coast, including Panama, and including also the cost of transit across the Isthmus of Panama, it cost us in round numbers about \$200,000.

Mr. ROBERTS. Now, do you include the mail to all the Central American countries?

Mr. MADDOX. No; only South America.

Mr. STEPHENS. At what rate per pound or per ton is that?

Mr. MADDOX. To the east coast, the service is all in foreign ships and the rate of pay is about 35 cents a pound for letters and postal cards and about 4½ cents a pound for other articles including parcel post.

Mr. STEPHENS. Now, how about the west coast?

Mr. MADDOX. Some of the mail—probably about half of it—is carried from New York by the steamers of the Panama Railroad Steamship Co., and all of those steamers are of American registry. They get 80 cents a pound for letters and postal cards, 8 cents a pound for other articles, and 6 cents per pound for parcel post. The rest of it is carried in foreign ships at the rates before mentioned.

Mr. STEPHENS. What is your cost per ton or per pound, from United States to final destination on west coast of South America?

Mr. TALBOTT. Your gross sum.

Mr. MADDOX. Well, the total cost last year, including the cost across the Isthmus, was about \$200,000.

Mr. STEPHENS. I understood you to say the cost of carrying mail to points on the west coast of South America was \$200,000?

Mr. MADDOX. No; that was down to Panama. I could not give you the exact cost south of Panama, because that is governed by statistics taken every 6 years, and on those statistics payments are made for the following 6 years.

Mr. STEPHENS. You stated the average cost of carrying mails from the United States to the east coast of South America was so much per pound?

Mr. MADDOX. That is all the way to those ports.

Mr. STEPHENS. Will you put in the record the average cost per pound of carrying mails from the United States to the principal ports on the west coast of South America?

Mr. ROBERTS. We have the cost to Panama; what we want now is the cost from Panama down.

Mr. MADDOX. Yes; the additional cost.

Mr. STEPHENS. What we want is the total cost to destination.

Mr. MADDOX. I understand.

The cost from Panama down is about as follows:

Port.	Approximate cost per pound.		Parcel post.
	Letters and post cards.	Other articles except parcel post.	
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Guayaquil, Ecuador.....	21	3	4½
Callao, Peru.....	31	4	4½
Mollendo, Peru, where mails for Bolivia are debarked.....	35	4½	4½
Valparaíso.....	43	5	4½

Mr. ROBERTS. Can you tell us how much of the \$50,000 that is paid for mails on the north and east coasts of South America is paid to American ships?

Mr. MADDOX. Not a cent of it.

Mr. ROBERTS. The ships are all foreign?

Mr. MADDOX. They are all foreign ships. The only American ships we have carrying mails to the east coast are those going to Venezuela, and they operate under the ocean-mail act of 1891.

Mr. TALBOTT. What do we pay there?

Mr. MADDOX. That is paid for on a mileage basis. We have one contract under which the steamers get 66½ cents a mile and another contract under which the steamers get a dollar a mile for the outward trips, from New York to the terminal ports. The Red D Line has both contracts, and last year the service cost us \$106,272.

Mr. WILLIAMS. Have you any figures to show the tonnage that was carried for that \$106,000?

Mr. MADDOX. We dispatched on that line for the year ending June 30, 1913, 46,727 pounds of letters and postal cards and 479,020 pounds of all other matter.

Mr. ROBERTS. And how many sailings?

Mr. MADDOX. There are 26 sailings a year on each route.

Mr. ROBERTS. That is, 52 altogether?

Mr. MADDOX. Yes, sir; a sailing every two weeks on each of the two routes.

Mr. ROBERTS. Then that is less than 1,000 pounds of letter mail to a sailing?

Mr. MADDOX. Yes; the cost is a great deal more under the contracts than it would be on the basis of weight.

Mr. ROBERTS. Have you the weights on the mail going to South America? Have you those figures?

Mr. MADDOX. The weights to South America south of Venezuela were, for postal cards and letters about 44,000 pounds, and for other articles about 760,000 pounds, and the cost was—

Mr. ROBERTS (interposing). Do the "other articles" include parcel post?

Mr. MADDOX. Yes. The cost was about \$48,000.

Mr. STEPHENS. How many sailings were made?

Mr. ROBERTS. Is that data detailed in there, Mr. Maddox? Have you the number of sailings?

Mr. MADDUX. Yes; it foots up to about 135 during the year.

Mr. ROBERTS. Well, you can put that in the record. I notice in this typewritten statement to the Secretary of the Navy:

For the conveyance of mails from this country to Cristobal steamers of American register receive 80 cents per pound for letters and post cards, 8 cents per pound for other articles except parcel post, and 6 cents per pound for parcel post. Steamers of foreign register receive 4 francs per kilogram for letters and post cards and 50 centimes per kilogram for other articles, including parcel post.

That is what I want to get straightened out—"and 50 centimes per kilogram for other articles." Can you change that into dollars and cents and pounds?

Mr. MADDUX. Four francs per kilogram is about 35 cents per pound.

Mr. ROBERTS. Well, do you figure a franc at 20 cents?

Mr. MADDUX. No; 19.3 cents, and a kilogram is about 2 pounds and 3 ounces. It is about 35 cents a pound as near as one can come to it.

Mr. ROBERTS. What do you figure the 50 centimes to be?

Mr. MADDUX. That is about 4½ cents per pound.

Mr. ROBERTS. Now, for Isthmus transit the Panama Railroad Co. receives 2.52 francs per kilogram for letters and post cards and 92 centimes per kilogram for other articles. Will you translate that, if you please?

Mr. MADDUX. I could not translate that so readily.

Mr. ROBERTS. Will you put that in the record so that we will have it in dollars and cents and English pounds?

Mr. MADDUX. Yes, sir; 2.52 francs per kilogram and 92 centimes per kilogram equal, respectively, about 22 cents a pound and 8 cents a pound.

Mr. ROBERTS. Now, you are paying \$200,000 to get the amount of mail that you have enumerated here down to Cristobal?

Mr. MADDUX. No; down to Panama.

Mr. ROBERTS. Oh, that is across?

Mr. MADDUX. That includes the cost of transit all the way to Panama.

Mr. ROBERTS. I see.

Mr. MADDUX. Now, the charges beyond Panama are very much involved and it would take some time to figure them out.

Mr. ROBERTS. Can you tell how much the Panama Railroad Co. gets of that \$200,000 for carrying the mails across the Isthmus?

Mr. MADDUX. Yes; I can give that separately. The amount paid to the Panama Railroad Co. for the Isthmus transit was about \$60,000.

Mr. ROBERTS. I wish you would, because it all has a bearing on this question of whether or not we want to carry mail through on the steamers.

Mr. MADDUX. Yes, sir. If you will give me a proof of the hearing I will furnish all this information.

Mr. ROBERTS. Now, I want to ask Mr. Maddox—and this is, of course, an opinion and in no way a criticism of anyone—if the Post Office Department would be likely to turn over to the Navy Department, with a line of its ships sailing from one or more Gulf or Atlantic ports, all of the mails that you now send to Cristobal?

Mr. MADDUX. It is my opinion—it is only my opinion, and I do not express it as the opinion of the department—that the department would continue its policy of sending the mail by the ships that would assure the most speedy delivery of the mail at destination.

Mr. ROBERTS. And you have to take into account also the number of sailings, where there are a number of ships sailing to one port?

Mr. MADDUX. Yes, sir.

Mr. ROBERTS. Now, let me put a concrete case. A line of ships goes to Cristobal, say once a month, and they are fast ships. There is another line of ships going twice a month, and their ships are slow. Would you hold the mail in New York for a whole month, until the fast ship was ready to sail again?

Mr. MADDUX. No. Under the existing practice, we would take the dates of the sailings of the two steamers that were available for the dispatch of the mail, compare the speed of the steamers, and dispatch the mail by the steamer that would get to Cristobal first.

Mr. ROBERTS. That is what I am getting at. In other words, you do not hold up the mail in order to have it travel faster on the water?

Mr. MADDUX. No, sir.

Mr. STEPHENS. Mr. Maddox, following up Mr. Roberts's question: Suppose there were two lines of steamers, one with a fast steamer, sailing on the 1st of the month, and the other line with two slow steamers, one on the 1st and the other on the 15th of the month, you would ship mail on the 1st of the month by the fast ship and on the 15th by the slow ship? Is that correct?

Mr. MADDUX. Yes, sir. It is the policy of the department to send the mail by the ship that will get it to its destination first.

Mr. ROBERTS. Now, would the Post Office Department be likely to turn over all its mail that was destined to western South American ports to a line that ran down there once a month?

Mr. MADDUX. As I say, I can not speak for the department—

Mr. TALBOT (interposing). Well, just give us your opinion of what the policy of the department would be.

Mr. MADDUX. The policy of the department, I think, would be to send the mail by the ships that would get it to its destination the soonest.

Mr. ROBERTS. And you would not hold up mail for a month or two weeks in order to send it by a Government-owned ship that did not get there as quickly by two or three weeks as other ships with frequent slow sailings

Mr. MADDUX. I do not think so.

Mr. ROBERTS. That is what I want to get at.

Mr. TALBOTT. Of course the policy of the department is governed by the law.

Mr. MADDUX. No; I think the Postmaster General has unlimited discretion in the matter. He could hold up the mail for dispatch by certain steamers if he wanted to.

Mr. TALBOTT. But if this bill was passed authorizing the Postmaster General to make a contract with the Navy Department for the dispatch of all the mail by these naval ships he would have to do it.

Mr. MADDUX. Of course, if the bill said dispatched "exclusively" by such ships.

Mr. TALBOTT. Yes.

Mr. MADDOX. But the law now gives him the discretion to send the mail by the ships that will deliver it the earliest.

Mr. ROBERTS. The fleet has been at Vera Cruz a long time, and the mail there is sent "care of the postmaster at New York." How has the mail been going down?

Mr. MADDOX. That has been going down to Galveston, Tex., and from there by torpedo boats to destination.

Mr. ROBERTS. And the Navy Department takes it from Galveston?

Mr. MADDOX. Yes, sir.

Mr. ROBERTS. Now, if the fleet happens to be at Guantanamo, how do you get the mail there?

Mr. MADDOX. Then it goes as mail to ordinary citizens. It would go to Key West and then to Cuba, the same as the commercial mail.

Mr. ROBERTS. Have you any figures of the incoming mail from those South American ports?

Mr. MADDOX. No; we have no record at all of the weights of the incoming mail.

Mr. ROBERTS. As a matter of observation, is it a fair assumption that the outgoing mail from the United States is about equal to the incoming mail?

Mr. MADDOX. Well, it is usually a little heavier.

Mr. ROBERTS. Which is heavier?

Mr. MADDOX. The outgoing mail; that is, taking the entire service.

Mr. STEPHENS. Would you think that is true as regards South American mail, or as regards European mail only?

Mr. MADDOX. Well, it would be hard to say as to individual countries, but I should say as a rule, certainly on the average, at any rate, the outgoing mail would be a little heavier than the incoming mail.

Mr. ROBERTS. Now, Mr. Maddox, have you any figures or can any figures be obtained as to the amount of foreign mails crossing the Isthmus and going to western South American ports, as to weight?

Mr. MADDOX. I can give you the weights dispatched from New York to the Isthmus.

Mr. ROBERTS. I mean to foreign ports.

Mr. MADDOX. Well, most all of it would have to go through New York.

Mr. ROBERTS. Then the figures that you have given are for United States mail?

Mr. MADDOX. Yes, sir.

Mr. ROBERTS. I want to get all the data we can on all foreign mail that crosses the Isthmus to go to those western South American ports. Do you know whether or not there are any lines that carry mail direct from European ports to Cristobal?

Mr. MADDOX. I think there are some, but I am not conversant with the details of how much mail they carry.

Mr. ROBERTS. Do you know whether there is any source from which you could get information on that point?

Mr. MADDOX. I do not know.

Mr. STEPHENS. Could you not get it from the Panama Railroad Co.?

Mr. MADDOX. Perhaps.

Mr. ROBERTS. Then you can furnish us with the information relative to the mail of foreign origin that goes to Colon from the United States?

Mr. MADDOX. Yes, sir.

Mr. ROBERTS. Now, you speak about what it costs us. You mean what we have to pay to get it from this country down there?

Mr. MADDOX. Yes, sir.

Mr. ROBERTS. I wish you would include that, because that all fits in with the subject we have here.

Mr. MADDOX. That would increase that \$200,000 materially. Last year we paid the Panama Railroad Steamship Co. alone for carrying from New York to Cristobal foreign closed mail—that is what we are considering now—\$38,000.

Mr. ROBERTS. That is small in comparison with the \$200,000 for carrying American mail.

Mr. MADDOX. It is. The cost to the department for the sea conveyance of foreign closed mails for both Central and South America dispatched during the year 1913 from the United States to Colon or Cristobal was about \$69,000, and the amount paid the Panama Railroad Co. for their transit across the Isthmus to Panama was about \$64,000. The figures for Central and South America can not be furnished separately.

Mr. TALBOTT. Mr. Maddox, we ship from New York with only one line, do we not?

Mr. MADDOX. Oh, no, sir.

Mr. TALBOTT. How many lines are there?

Mr. MADDOX. We use, in addition to the steamers of the Panama Railroad Steamship Line sailing from New York five or six times a month, the steamers of the United Fruit Co., which sail from New York twice a week, and also the steamers of the United Fruit Co., which sail from New Orleans twice a week. Whenever we can use either one of those lines to advantage we use it.

Mr. TALBOTT. Is the United Fruit Co. an American-owned line?

Mr. ROBERTS. They are flying a foreign flag.

Mr. MADDOX. The steamers of that company on both routes are of foreign registry. Most of them are British.

Mr. WILLIAMS. Is the service interrupted now?

Mr. MADDOX. Not so far.

Mr. ROBERTS. You do not send any New York mail by way of New Orleans, do you?

Mr. MADDOX. A good deal goes that way.

Mr. ROBERTS. This occurred to my mind: Suppose the Navy Department were to establish a line of swift steamers, say from Key West or New Orleans to Colon. Would it be the policy of the department to send the mail by rail to either one of those ports or send it by steamer?

Mr. MADDOX. It would be a great advantage, from a mail standpoint, to have the steamers call at Key West.

Mr. ROBERTS. Would it be sufficient to warrant the Post Office Department—

Mr. MADDOX (interposing). That call would be only for the mail that could not be put on the steamers at New York.

Mr. ROBERTS. I do not think you get my point. Suppose there is a steamer line from Key West to Colon—

Mr. MADDOX. Oh, Key West is the terminal, in your supposition?

Mr. ROBERTS. Yes. Would there be enough advantage to send all your mail from New York down to Key West to put it on that steamer instead of putting it on the steamer at New York? In other words, would such a swift line of steamers as that gobble up all the mail that goes to Colon?

Mr. MADDUX. Well, that would depend on the frequency of your sailings from Key West. We would take the time from New York to New Orleans and the time from New York to Key West and the frequency of the sailings into consideration.

Mr. STEPHENS. In other words, if the steamers sailed every day from Key West all the mail would go via Key West?

Mr. MADDUX. Yes, sir.

Mr. WILLIAMS. Would that be true without regard to the cost?

Mr. ROBERTS. I am assuming that they would not pay any more than would be a fair rate from New York.

Mr. TALBOTT. About how many times a month do you ship mail from New York to Panama?

Mr. MADDUX. At present the steamers of the Panama Railroad Co. sail every four or five days from New York; say about six times a month.

Mr. TALBOTT. That is only the sailings by that line?

Mr. MADDUX. Yes. In addition to that the United Fruit Co. steamers sail every Wednesday and Saturday.

Mr. TALBOTT. That is South American mail?

Mr. MADDUX. Yes, sir; to Colon. In addition to that we have sailings from New Orleans every Wednesday and Saturday, so that we have pretty frequent service.

Mr. ROBERTS. You would only divert your first-class mail to these swift line steamers? You would not divert your parcel post and newspapers to the swift line?

Mr. MADDUX. At present we make no distinction in the Postal Union mail, whether letters and post cards or other articles, but we do send parcel post by slower direct service.

Mr. TALBOTT. Mr. Maddox, in regard to the mail from these South American countries that comes to the United States, does it come back by the same line we use?

Mr. MADDUX. So far as I know, it does.

Mr. ROBERTS. You do not want your parcel post handled any more than necessary in transit?

Mr. MADDUX. Well, you can not send parcel post through intervening countries without special arrangement as to transit. The right of transit throughout the Postal Union for Postal Union mail is provided for, but there are no third countries traversed by our parcel-post mail.

Mr. ROBERTS. Well, I am speaking about getting it out of this country. You might handle it a half dozen times in getting it out of the United States and getting it to foreign ports, because you might handle it by several different means before it got on the ocean, and that is what you want to avoid. In other words, in taking parcel-post mail from New York to Colon you would send it in a steamer that went to Colon rather than via Key West by a fast steamer that stopped at Key West?

Mr. MADDUX. Yes, sir. I should think that would very likely be done.

Mr. ROBERTS. What I am arriving at is what we could possibly hope for in the way of mail transportation on this line, and unless we had a steamer sailing direct to South America the Government line would not be apt to get the parcel post, because it would involve two handlings of it.

Mr. MADDOX. Yes; and unless we delayed the mail the Government line would not get all the mail other than parcel post.

Mr. STEPHENS. What time does it take for mail to go from New Orleans to Colon?

Mr. MADDOX. About five days, and six to six and one-half from New York.

Mr. GERRY. How often do the steamers run from Panama?

Mr. MADDOX. There is weekly service. There is fairly good service. The time to Guayaquil is 4 days, to Callao 7 days, to Mollendo, which is a southern port in Peru, 9 days, and to Valparaiso, which is the principal Chilean port, 14 days.

Mr. STEPHENS. Have you the distance from New Orleans to Colon?

Mr. MADDOX. Yes; it is about 1,400 miles.

Mr. STEPHENS. Does that include the distance up the Mississippi River?

Mr. MADDOX. Yes, sir. That is about 1,400 nautical miles. I have here a time-table of the joint service from Panama south.

Mr. TALBOTT. Can we keep that?

Mr. MADDOX. I do not know whether I have another one or not. I will take it back and if I find I have another one I will send it to you.

Mr. ROBERTS. This is a schedule of the sailings from Panama south. What is this abbreviation "P. S. N. C."?

Mr. MADDOX. Pacific Steam Navigation Co.

Mr. ROBERTS. What is this "C. S. A. V."?

Mr. MADDOX. One of those is a Chilean line and the other is a Peruvian line, but I do not know from those abbreviations which is which.

Mr. ROBERTS. There are only two abbreviations here.

Mr. MADDOX. Is not there another line there?

Mr. ROBERTS. Here is the Peruvian Steamship Co. in a separate schedule. I suppose that could be copied in the record.

Mr. TALBOTT. I was about to say that he could put it right in the record; we can have it copied in and send it back to him.

(The table referred to is as follows):

PACIFIC STEAM NAVIGATION CO. AND COMPAÑIA SUD-AMERICANA DE VAPORES.

[Southbound.]

(Subject to change without notice.)

	P.S.N.C., Chile.	C.S.A.V., Lima.	P.S.N.C., Guatemala.	C.S.A.V., Husaco.	P.S.N.C., Mexico.	C.S.A.V., Aysen.
Leave Panama.....	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25
Arrive Payta.....	Apr. 24	Apr. 30	May 8	May 14	May 22	May 28
Arrive Eten.....	Apr. 25	May 1	May 9	May 15	May 23	May 29
Arrive Pacasmayo.....	Apr. 25	May 1	May 9	May 15	May 23	May 29
Arrive Salaverry.....	Apr. 26	May 2	May 10	May 16	May 24	May 30
Arrive Callao.....	Apr. 27	May 3	May 11	May 17	May 25	May 31

PACIFIC STEAM NAVIGATION CO. AND COMPAÑIA SUD-AMERICANA DE
VAPORES—Continued.

	P.S.N.C., Chile.	C.S.A.V., Limari.	P.S.N.C., Guatemala.	C.S.A.V., Huasco.	P.S.N.C., Mexico.	C.S.A.V., Aysen.
Leave Callao.....	Apr. 27	May 6	May 11	May 20	May 25	June 3
Arrive Mollendo.....	Apr. 29	May 8	May 13	May 22	May 27	June 5
Arrive Arica.....	Apr. 30	May 9	May 14	May 23	May 28	June 6
Arrive Iquique.....	Apr. 30	May 10	May 14	May 24	May 28	June 7
Arrive Antofagasta.....	May 1	May 11	May 15	May 25	May 29	June 8
Arrive Coquimbo.....	May 3	May 12	May 17	May 26	May 31	June 9
Arrive Valparaiso.....	May 4	May 13	May 18	May 27	June 1	June 10

[Later sailings upon application.]

PERUVIAN STEAMSHIP CO.

To Guayaquil, Payta, Eten, Pacasmayo, Salaverry, and Callao.

Panama (leave).....	Apr. 20	Apr. 27	May 4	May 11	May 18	
Guayaquil.....		Apr. 30-May 1		May 14-15.		
Payta.....	Apr. 23	May 2	May 7	May 16	May 21	
Eten.....	Apr. 24	May 3	May 8	May 17	May 22	
Pacasmayo.....	do.	do.	do.	do.	do.	
Salaverry.....	Apr. 25	May 4	May 9	May 18	May 23	
Callao (arrive).....	Apr. 26	May 5	May 10	May 19	May 24	

PACIFIC MAIL STEAMSHIP CO.

To Corinto, Amapala, San Jose, Salina Cruz, San Francisco, and intermediate ports.

(Subject to change and individual postponement without notice.)

[Northbound.]

Leave Balboa (Ancon).....	Apr. 14	Apr. 25	May 5	May 20	May 30	June 11
Leave Puntarenas.....	Apr. 17		May 8	May 23		June 14
Leave San Juan del Sur.....	Apr. 18	Apr. 28		May 24	June 2	
Leave Corinto.....	Apr. 19	Apr. 29	May 10	May 25	June 3	June 16
Leave Amapala.....	Apr. 20		May 11	May 26		June 17
Leave La Union.....		Apr. 30	May 12		June 4	June 18
Leave La Libertad.....	Apr. 21	May 1	May 13	May 27	June 5	June 19
Leave Acajutla.....	Apr. 22	May 2	May 14	May 28	June 6	June 20
Leave San Jose de Guatemala.....	Apr. 23	May 3	May 15	May 29	June 7	June 21
Leave Champerico.....	Apr. 24	May 4		May 30	June 8	
Leave Ocos.....		May 5	May 16		June 9	June 22
Arrive Salina Cruz.....	Apr. 26	May 6	May 17	June 1	June 10	June 23
Arrive Acapulco.....	Apr. 30	May 10	May 21	June 5	June 14	June 27
Arrive Manzanillo.....		May 12			June 16	
Arrive San Blas.....	May 3	May 14	May 24	June 8	June 18	June 30
Arrive Masatlan.....	May 4			June 9		
Arrive San Francisco.....	May 11	May 21	May 31	June 16	June 26	July 7

Express sailings to San Francisco leaving Balboa once a month direct to San Francisco, making the trip in about 13 days. Sailing dates furnished upon application.

Mr. ROBERTS. I think that in order to have the record complete we ought to have Table A put in.

Mr. TALBOTT. Yes; it is in the Senate report.

Mr. ROBERTS. I think the whole report should go in.

Mr. TALBOTT. The whole report can go in.

Mr. ROBERTS. Is there anything else, Mr. Maddox, that you have that will give us any light on this question of mail transportation and the desirability of transporting mail in Government ships rather than private ships?

Mr. MADDOX. Well, I think we have covered the ground fairly well. You see the frequency of the present service.

Mr. STEPHENS. Is there any complaint in South America about the delivery of mail from the United States?

Mr. MADDUX. I do not know; but our service to the east coast, south of Venezuela, is not so good as our service elsewhere. That is where we are weak in point of regularity of service.

Mr. ROBERTS. You speak of regularity. Do we send any South American mail by way of Europe?

Mr. MADDUX. In normal times we can sometimes to advantage, but we do not send much that way.

Mr. ROBERTS. On the average, you send it direct?

Mr. MADDUX. Yes, sir; even though the service is not regular and can not be depended on as to sailing dates of steamers.

Mr. STEPHENS. Can you ever make better time by sending mail destined for the east coast of South America by way of Panama and Valparaiso than overland to the east coast?

Mr. MADDUX. You will notice those figures I gave you a while ago contain references to the west coast and also refer to mail for the Argentine Republic. Sometimes we can dispatch mail for the Argentine Republic to advantage via Valparaiso and the Trans-Andean Railway.

Mr. ROBERTS. Is there anything you can suggest, Mr. Maddox, that would expedite and increase the mail service with South American ports over the present means and methods?

Mr. MADDUX. Well, the thing most essential to satisfactory mail service is regularity; that is, that sailings can be depended on to occur as announced, so that all concerned can conduct themselves accordingly, and in that respect our service to the east coast south of Venezuela is deficient, because frequently the sailing dates do not occur as originally announced.

Mr. ROBERTS. That is, the companies do not start the steamers when they say they will?

Mr. MADDUX. No, sir; they do not.

Mr. WILLIAMS. Have we sufficient mail service with South America now?

Mr. MADDUX. As compared with Europe, for instance, we have not.

Mr. WILLIAMS. How is it as to charges for carrying the mails, as compared with Europe?

Mr. MADDUX. We pay the same for ocean transportation——

Mr. WILLIAMS (interposing). That Europe does?

Mr. MADDUX. Oh, you want to compare our charges with the European charges.

Mr. WILLIAMS. Yes; for their mail.

Mr. MADDUX. Well, most of the European countries have contract lines, and probably the lines are subsidized.

Mr. WILLIAMS. So you think there is room for improvement in our South American mail carrying?

Mr. MADDUX. Yes, sir.

Mr. WILLIAMS. Very material improvement?

Mr. MADDUX. Well, it depends on what you call satisfactory service and material improvement.

Mr. WILLIAMS. Does not some of our mail go via Europe to South American ports?

Mr. MADDUX. Very little of it.

Mr. WILLIAMS. And the ships go frequently enough to satisfy business demands?

Mr. MADDOX. I should say there are about five or six steamers sailing a month to Rio and an equal number to the Rio Plata ports, which would probably be sufficient if they could be depended upon as to regularity of sailing.

Mr. WILLIAMS. Well, does the department anticipate any interruption of the South American mail service as a result of the European war?

Mr. MADDOX. There has been no material decrease in the number of sailings so far.

Mr. WILLIAMS. And you are not anticipating any trouble?

Mr. MADDOX. No, sir; not as far as we are able to see now.

Mr. STEPHENS. Is the announced schedule between New York and Rio Plata a regular one as to frequency of sailings?

Mr. MADDOX. Yes. The lines announce about five or six sailings a month, but frequently the steamers do not sail on the announced date.

Mr. ROBERTS. What is the cause of that? Insufficient number of ships, delays of navigation, or delays of getting cargoes?

Mr. MADDOX. I think you will find, unless the department has some control over them, that in the case of commercial ships the sailings are always governed by the exigencies of commerce. If they get enough freight they will go, and whenever it is to their advantage to wait a day or two longer for freight they will wait.

Mr. ROBERTS. Now, how about the service from Panama down? Are the ships regular?

Mr. MADDOX. The weekly service from Panama is regular, and we have very frequent service from here down to Panama.

Mr. ROBERTS. So that the mail service to western South American ports is very satisfactory?

Mr. MADDOX. You see, we have a weekly service from Panama, which I should say is fairly frequent and fairly good service.

Mr. ROBERTS. Now, when the canal is in operation do you anticipate that your mails will be carried through the canal by vessels or will they all be transhipped?

Mr. MADDOX. That has not been decided. I do not know whether they will go through the canal or over the railroad. It depends very largely on the amount of time consumed in going through the canal and the connection on the other side, because there would be no good reason for rushing them through if they had to wait on the other side for forwarding.

Mr. TALBOTT. Have you any idea as to the freight that is taken on these vessels?

Mr. MADDOX. No, sir; I have never looked into that matter.

Mr. TALBOTT. I would like to know what the charges are per ton for freight from here to South America.

Mr. MADDOX. The Department of Commerce could doubtless give you that.

Mr. STEPHENS. Mr. Chairman, you can get all of that in the report of the hearings before the House Merchant Marine and Fisheries Committee. Mr. Maddox, has your department had any experience with the Navy vessels in the carrying of commercial mails?

Mr. MADDOX. Very limited.

Mr. STEPHENS. Very limited?

Mr. MADDOX. Yes. Sometimes during the trouble down in Mexico we used a Navy vessel for the conveyance of the mails.

Mr. STEPHENS. That was an extraordinary case?

Mr. MADDOX. Yes.

Mr. GERRY. When you transship mail over this Trans-Andean Railway, do you send it up the coast?

Mr. MADDOX. It goes to Valparaiso and then goes by rail.

Mr. GERRY. Do they ever ship it up the coast? Have they ever tried to come across that way? In other words, would it be quicker to send mail to certain points in the Argentine Republic, farther north?

Mr. MADDOX. If we send mail for the Argentine Republic by that route, it is for the entire country. The mail would be addressed to the post office of Buenos Aires, but it would include matter for the whole country.

Mr. GERRY. Not just the southern portions?

Mr. MADDOX. No.

Mr. GERRY. It is sometimes carried that way?

Mr. MADDOX. It is sometimes carried that way. It all depends on the sailing dates and speed of the steamers available for the dispatch of the mails.

Mr. TALBOTT. We have nothing further to ask you, Mr. Maddox. We are much obliged to you for your frankness.

Mr. EDMONDS. There was a joint committee appointed in 1905 to make an investigation of the shipping of the world. Its report, containing many valuable suggestions, can be found over there in the Library.

Mr. TALBOTT. We will get the latest one first. We will be glad to hear you Monday morning at 10.30.

(Thereupon the subcommittee adjourned.)

(The papers submitted by Mr. Maddox follow:)

POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
Washington, August 12, 1914.

THE SECRETARY OF THE NAVY.

SIR: In compliance with a telephone request from your department, I transmit herewith a memorandum containing certain information in connection with the dispatch via the Isthmus of Panama of mails from this country for Central and South America.

By direction of the Postmaster General:

Very respectfully,

JOSEPH STEWART,
Second Assistant Postmaster General.

Memorandum showing the weights of the mails dispatched from New York and New Orleans to Canal Zone, Panama, Salvador, Nicaragua, Honduras, Colombia, Peru, Chile, Ecuador, Bolivia, and Argentine Republic during the fiscal year ended June 30, 1914, via Cristobal.

Letters and postal cards.	Other articles except parcel post.	Parcel post.
<i>Grams.</i> 47, 675, 948	<i>Grams.</i> 937, 790, 350	<i>Grams.</i> 256, 071, 585
<i>Pounds.</i> 105, 125. 465	<i>Pounds.</i> 2, 067, 827. 721	<i>Pounds.</i> 565, 637. 844

Of the above, the weights of the mails conveyed across the isthmus for Salvador, Nicaragua, Honduras, Colombia, Peru, Chile, Ecuador, Bolivia, and Argentine Republic for the fiscal year ended June 30, 1914:

Letters and postal cards.	Other articles except parcel post.	Parcel post.
<i>Grams.</i> 28,843,610	<i>Grams.</i> 468,101,632	<i>Grams.</i> 236,524,904
<i>Pounds.</i> 63,606.160	<i>Pounds.</i> 1,032,164.098	<i>Pounds.</i> 521,537.413

For the conveyance of mails from this country to Cristobal steamers of American register receive 80 cents per pound for letters and postcards, 8 cents per pound for other articles except parcel post, and 6 cents per pound for parcel post. Steamers of foreign register receive 4 francs per kilogram for letters and postcards and 50 centimes per kilogram for other articles, including parcel post.

For isthmus transit the Panama Railroad Co. receives 2.52-francs per kilogram for letters and postcards, 92 centimes per kilogram for other articles except parcel post, and 1.8 cents per pound for parcel post.

For the onward transmission of parcel post mails from Balboa to Colombia, Peru, Chile, Ecuador, and Bolivia the rate is 50 centimes per kilogram.

The weights of the parcel post mails dispatched from this country to Colombia, Peru, Chile, Ecuador, and Bolivia, via Panama, during the fiscal year ended June 30, 1914, were 186,697.297 kilograms.

For the conveyance of mails other than parcel post from Balboa to the above-named countries, this administration settles on the basis of statistics as provided by the Universal Postal Convention.

SUBCOMMITTEE OF COMMITTEE ON NAVAL AFFAIRS,
HOUSE OF REPRESENTATIVES,
Monday, August 17, 1914.

The subcommittee this day met, Hon. J. F. C. Talbot (chairman) presiding.

Mr. TALBOTT. Mr. Edmonds, you may proceed now.

STATEMENT OF HON. GEORGE W. EDMONDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA.

Mr. EDMONDS. Mr. Chairman, I have asked a hearing before the committee in the interest of H. R. 5980, which I introduced about a year ago. This bill provides for the acquiring by the United States of 20 ships of not less than 8,000 tons each which are to be used under the supervision of the President as naval auxiliaries in time of war and in time of peace as freight ships, either between the east and west coasts of the United States, or between the east and west coasts of the United States and South American ports. The bill needs a few amendments, but I will not go into that matter now, because I think you gentlemen will probably be able to amend it yourselves to meet the conditions, or I will suggest them myself.

[H. R. 5980, Sixty-third Congress, first session.]

A BILL To authorize the President of the United States to build or acquire steamships for use as naval auxiliaries and transports, and to arrange for the use of these ships when not needed for such service, and to make an appropriation therefor.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States be, and he is hereby, directed to build or acquire twenty steamships of not less than eight thousand tons each, such steamers to be built for passenger and freight service or for freight service only, in such numbers as the President of the United States shall deem necessary for the service afterwards arranged for in section two of this bill, and to be built under the supervision of the Navy Department for use as transports or supply ships in case of necessity.

SEC. 2. That the said steamships shall be leased to and operated by the Panama Railroad Company and used in the establishing of regular commercial lines between ports on the eastern or southern coasts and the western coast of the United States, with an extension of the service by the authorities of the Panama Railroad Company to the west coast ports of Mexico, Central America, and South America, if it be deemed advisable by them, preference to be given to the home ports in the establishing of these lines.

SEC. 3. That the terms and conditions of the leasing to the Panama Railroad Company shall be prescribed by the President of the United States, and shall be conditioned upon a sufficient rental to be paid by the Panama Railroad Company to cover interest, sinking fund, insurance, and upkeep of the ships so leased, always preserving the right of the Government for their immediate use for supply or transport service in case of necessity.

SEC. 4. That the sum of \$25,000,000 or so much thereof as may be necessary, be, and the same is hereby, appropriated for the purposes of this bill out of any money in the Treasury of the United States not otherwise appropriated.

MR. STEPHENS. Does your bill call for intercourse with European ports?

MR. EDMONDS. No; if the committee will be a little lenient with me I would like to say that for one year I have spent considerable time trying to find out what is the matter with the merchant marine of the United States, and I think I can explain it to you. In the first place, in 1834, I think it was, England went on a free-trade basis. As a matter of fact, she went on a free-trade basis because she could not grow sufficient provisions for her people, and she had to purchase those provisions outside, and she had to make a market for her manufactures in order to get money to do so. She proceeded to build up a merchant marine by subsidies and subventions. She was very successful, and to-day is paying a very large sum of money for these subsidies in every direction in the world. For instance, in the Peninsular-Oriental line she pays all her Suez Canal tolls and a little more.

MR. WILLIAMS. What do you mean by that—she just turns it over to the company?

MR. EDMONDS. She pays them a subvention, which is greater than the canal tolls from the Suez Canal. Now, other countries followed the example of England, namely, Germany, Austria, and France. France pays a shipbuilding subsidy and also a running subsidy, so much per mile. These subsidies are all found in the report of the Commissioner of Navigation for 1909. Of course, there are later editions of the subsidies of the different countries. You will find that report over in the Library. I have one copy for 1913, which Mr. Hardy borrowed from me, but he was not in his office this morning and I could not get it. It is a report of all the subsidies in the world. Japan followed the example set by England, and in 10 years she has built up a merchant marine almost equal to that of the merchant marine of the United States.

Mr. WILLIAMS. I would like to know something more about the subsidies or subventions that you speak about. Of what do they consist and in what way are they paid?

Mr. EDMONDS. I have it in this book before me. On page 21 I find the following:

The total expenditure by the British Empire, so far as ascertained, for subsidies, ocean mail contracts, and admiralty subventions (not including payments for merchant seamen as naval reserves just referred to) was \$7,905,764. The item for merchant seamen may be viewed from two points, but for the present purpose it is retained in place as a naval appropriation. The Empire accordingly devotes in fact a sum for its merchant marine equal to about 5 per cent of its naval appropriations. Here it may be noted that Japan's naval appropriations for the current year are \$35,870,061, while her subsidies to the merchant marine are \$4,416,000, not including shipbuilding bounties.

These subsidies are paid direct to these companies. They pay subsidies in two different ways, one is a subsidy coming from the navy and the other is a mail subsidy from the post-office department.

Mr. TALBOTT. That is in Japan?

Mr. EDMONDS. That is in most all countries to-day, except Germany. Germany builds up her shipping by railroad freight rebates. The German Government owns the railroads, and where a shipment of freight is made to be reshipped to America or South America, there is a special deduction in freight, which in some cases amounts to 33 per cent. In other words, if the freight rate would be \$3, they make it \$1. So that, outside of paying a small Hamburg-American and North German Lloyd subsidy, Germany does not pay any subsidies. It is all paid by means of freight rebates. Of course Germany owns the railroads.

Now, I want to call attention to this fact: We have not a merchant marine. There are two ways in which we can have a merchant marine. One is by subsidies sufficient to allow these lines to compete and the second is by Government-owned lines. For instance, take three ships, an American ship, a Japanese ship, and a German ship. This comparison has been made by the Commissioner of the Bureau of Navigation. If we put on a certain ship of about 14,000 tons an American crew under American laws would cost \$10,800 a month for wages. If we take a mixed crew, that is, officers American and the crew Chinese, Japanese, or Hindu, the cost would be \$4,836.

Mr. TALBOTT. A saving of \$6,000 a month.

Mr. EDMONDS. Yes. The Japanese ship, burning oil and using less men, would cost \$4,247. A German ship, the *Kaiser Wilhelm der Grosse*, would cost \$7,715. Compared with the German ship an American ship with an American crew is \$3,000 to the bad every month, or \$36,000 a year, and we can not compete with them. It is an impossibility to do so.

Mr. ROBERTS. That is based solely on wages?

Mr. EDMONDS. Yes, sir.

Mr. ROBERTS. There is no computation of the difference of cost as to food supplies, air space, and running expenses?

Mr. EDMONDS. No, sir.

Mr. GERRY. Is not there a question of measurement, also?

Mr. EDMONDS. The measurement of our ships is taken and includes what we call the open deck. The Panama Canal and the Suez Canal about measure alike. The German measurement is a little less than ours.

Mr. WILLIAMS. What do you mean when you speak of measurements?

Mr. EDMONDS. Tonnage measurement. The English do not take in the deck-load measurement at all, and the result is that in some of their ships their tonnage is one-fourth less than ours. That is, their cargo tonnage. That is the tax basis; that is the basis of their tonnage tax.

Mr. TALBOTT. That is the basis of their canal tolls.

Mr. EDMONDS. No; but is the basis of their harbor payments at home ports and also in some foreign ports.

Mr. STEPHENS. You mean that in some instances British ships can ship one-fourth tonnage more for the same price?

Mr. EDMONDS. Yes; for the same tonnage tax. But when that British ship comes into one of our ports we do not measure it by their measurements, we take our own measurements. I suggest that you get Mr. Johnson's book from the Panama Canal Commission, on Panama Canal tolls and measurements. This book not only contains diagrams of the ships, but also a comparison of the same ship measured under the American, English, German, and Suez Canal rules. He says on pages 190 and 191 of this book:

"A."

To facilitate the correction of net-tonnage figures at foreign ports, some countries, including Germany, Sweden, Norway, Denmark, and the United States, have provided that their official admeasurers shall provide the masters of vessels not only with the certificate of the vessel's official tonnage, but also with statements showing what spaces in the vessel are entitled to deduction from gross tonnage by the rules of foreign countries. This may be illustrated by quoting the provision of the statute of the United States now in force, which is as follows:

"Upon application by the owner or master of an American vessel in foreign trade, collectors of customs, under regulations to be approved by the Secretary of Commerce, are authorized to attach to the register of such vessel an appendix stating separately, for use in foreign ports, the measurement of such space or spaces as are permitted to be deducted from gross tonnage by the rules of other nations and are not permitted by the laws of the United States."

The United States has reciprocal arrangements of the kind above indicated with Great Britain, Belgium, Denmark, Austria-Hungary, Germany, Italy, Sweden, Norway, Spain, the Netherlands, Russia, Finland, Portugal, and Japan. The American measurement rules produce a net tonnage larger than results from the application of the rules of most of these countries, and American admeasurers thus add to the tonnage of foreign ships the spaces which our rules include in tonnage and which the rules of foreign nations omit therefrom.

The official instructions under which American admeasurers act are that "the like courtesy having been extended to vessels of the United States, it is directed that vessels of those countries whose registers indicate their gross and net tonnage under their present law shall be taken in ports of the United States to be of the tonnage so expressed in their documents, with the addition of the amount of the deductions and omissions made under such law not authorized by the admeasurement law of the United States."

Inasmuch as the British measurement rules give vessels a lower net tonnage than do the rules of most other countries, Great Britain is willing to accept, for purposes of taxes upon shipping, the tonnage without alteration as stated in the certificates of the vessels of foreign countries. The arrangement between Great Britain and Greece is that Greek steamers may be remeasured in the United Kingdom for engine-room deduction—the Greek rules providing for smaller deductions by applying the Danube rule. The arrangement between Great Britain and Sweden provides for the acceptance by Great Britain of British tonnage when separately stated in the certificates issued to Swedish vessels by the admeasurers of Sweden.

The general practice now prevailing among commercial nations of accepting the tonnage certificates of vessels of foreign registry is of advantage to commerce and shipping, because it minimizes the expense and delays that would result from the measure-

ment of vessels when subjected to tonnage charges at foreign ports. This practice, however, merely lessens the disadvantages resulting from the dissimilarity in the tonnage rules of different countries. The arrangements providing for the acceptance at the ports of each country of the tonnage certificates of foreign vessels in accordance with special international regulations have been made necessary by the lack of international unity in tonnage and vessel measurement. These agreements would be unnecessary and international commerce could be carried on more advantageously if the commercial nations of the world could agree upon common tonnage rules.

Mr. EDMONDS. To return to the wages. The bureau's estimate says:

Averages are often deceptive, but with the usual qualifications attention is drawn to the fact that the average monthly wages of an American crew for the American steamships *Korea* and *Siberia* are \$41.64, due mainly to the high wages paid to American firemen. The average monthly wages on the same ships with mixed (Chinese) crews is \$16.73. The average monthly wages of the Japanese steamships *Tenyo Maru* and *Chiyo Maru* are \$17.48, while the average monthly wages of the German trans-Atlantic *Kaiser Wilhelm der Grosse* are only \$15.43.

That is the lowest rate paid by any country on earth.

Mr. STEPHENS. Does that include the wages of officers?

Mr. EDMONDS. That includes the wages of all officers excepting the master, which is made by special contract. The wages of officers in German ships are very much less than ours, and that is what makes the great difference. Their wages were \$295.12 where the American wages were \$575.

Mr. STEPHENS. Is that average brought down because of the low wage of officers or because of the low wage of the seamen?

Mr. EDMONDS. Do you want me to read the different wages?

Mr. STEPHENS. If you please.

Mr. EDMONDS. This is the comparison: American crew, 5 saloon officers, \$575; 5 officers in the German crew, \$295. Deck department, 48 men in the American crew, \$1,805; 58 men in the German crew, \$811.69. Engineer's department, 111 men in the American crew, \$5,390; 212 men in the German crew, \$3,830.33. That is pretty nearly 100 more in the engineer's department of the German crew. Purser's department, 96 men in the American crew, \$3,030.25; 225 men in the German crew, \$2,778.41. Even with that doubling, and in some cases tripling of men, the German wages are less. The American crews and Japanese crews are more nearly alike in the number of men, but the Germans seem to carry a very large number of men, for some reason or other; I do not know why.

Mr. ROBERTS. They can secure them very cheaply.

Mr. EDMONDS. Yes. Now, in the freight line there are what we call watch officers—they are virtually boatmen. They steer the ship.

Mr. GERRY. Your quartermaster does that, does he not?

Mr. EDMONDS. Yes, sir; that is right. Now, in the English, French, and German freight ships they pick out a deck hand to do the steering in ordinary times, and the officers take it in extraordinary times.

Mr. WILLIAMS. What is that particular duty?

Mr. EDMONDS. To handle the wheel.

Mr. WILLIAMS. You mean they are pilots?

Mr. EDMONDS. No; I mean the man who stands at the wheel and steers the ship. Now, another thing that we require in the steamship is a water tender. Water tenders are men that go around and see that the gauges are filled in the water boilers. We have them, but foreigners do not know of such a thing, and they

laugh at us when we talk about water tenders. This man is a petty officer. It is a good thing and a safe thing to have water tenders on our ships. All those things go to militate against us in building up a merchant marine. I do not see how it is possible for us to get over it. A change in the navigation law will not do it. You can not hire men at \$14 a month, like the Germans, or \$16 or \$17, like the Japanese. You can not keep these men out of the ship business. They are going to run the ships, and as long as they subsidize their ships at one end of the line and have a much lower pay roll than ours, we are going to be out of the business. Now, let us see what they are doing. I would suggest, if you want to know about subsidies, that you get the report of 1909 of the Commissioner of Navigation, which will give you statistics of all the ships of the world, and what they pay. The Holland-American Line is preparing to run a line through the Panama Canal to the west coast of South America. Every nation in the world at the present time is making a drive after that business. The Japanese have arranged for a subsidy to run a line through the canal to the east coast of South America and to New York. Even little Spain, whom we defeated a few years ago, subsidized a line three years ago to run to the west coast of South America. What the other people will do I do not know. They have not said what they will do, but I will venture to state that every nation that to-day pays the Suez Canal tolls—and I can tell you in a minute who they are—besides their regular subsidies, will pay the Panama Canal tolls, besides the regular subsidies, to run ships through the canal.

Now, here is another thing. On page 58 of the report of the Commissioner of Navigation I find the following:

The refund of Suez Canal tolls as a means of promoting national shipping is a specific part of the policy of Russia, Austria-Hungary, and Sweden, and indirectly through their subsidies to national mail lines using the canal such refund is in effect part of the policy of Germany, France, Holland, Japan, Italy, and Spain. The British Peninsular and Oriental subsidy chances to be almost exactly the sum of its Suez Canal tolls, \$1,600,000.

That shows you that every nation is preparing to pay, and will probably pay, the Panama Canal tolls on all its freight ships and steamship lines in order to encourage trade. Now, what are we going to do? Here we are in the position of being unable to compete with them on the sea, and yet we have right down south of us a country that is using more and more goods every year. In the last 10 years the trade of Brazil has tripled, and the same as to Argentina.

Mr. TALBOTT. With the United States?

Mr. EDMONDS. Not with the United States. We have not begun to pick the business, because every nation, Germany, England, France, and others, has been working against us. Take the Lamport & Holt Lines, the Booth Line, and the Royal Mail Line, and all the lines running south. They are English lines, and they also run lines from England to these same points. The ships that run from England to those points, the passenger ships, are A No. 1, equal to any ships that run to New York to-day. The ships that they run from our country are second rate.

Now, let us see what England and Germany have been doing. They have established what they call a triangular shipping in the ocean. They ship manufactured goods to South America. They load coffee

in South America and take it to Philadelphia, and load grain at Philadelphia and take it to Europe. They always bring in something that, while we get it, it does not help our manufacturers one particle. Now, how can we reverse such a condition of affairs? As I said before, you can only do it in two ways, first, by heavily subsidizing these lines, and, secondly, to run a Government-owned line. Now, I am not a Government-ownership man, but if it is going to remove this foreign influence it may be worth while. Something must be done to check that which is taking away the natural trade of our people, and there is nothing else for us to do but either of the two things I have suggested.

Mr. WILLIAMS. Would not Government-owned lines be dangerous to be operated?

Mr. EDMONDS. No; a Government-owned line is the only thing that can be operated. Take your international situation to-day. Every newspaper that is a conservative is calling attention to the fact that if you allow German ships to be taken over under the American flag to-day there is an international question of ownership. A ship may lay over in a port for months and months before the disputed question of ownership can be determined. Now, if the Panama Steamship Line could be enlarged by the Government of the United States, there could not be any question that the Government of the United States owned this line, and no nation in the world would attempt to take the United States Government ships off on the plea that the United States bought them under a subterfuge.

Mr. STEPHENS. You do not mean to say that the Government, through the Panama Steamship Co., could purchase these German vessels that you say others could not purchase?

Mr. EDMONDS. Yes, sir.

Mr. TALBOTT. The Government must do it in good faith.

Mr. EDMONDS. The question in international law is not the fact that it was a German ship, but the question is, has the ownership been honestly acquired by a neutral nation? If the United States Government buys a Hamburg-American Line ship and all the nations in the world are notified that this ship belongs to the United States Government, there is no question as to ownership and there can be no question as to ownership.

Mr. WILLIAMS. Suppose the Government owned a line of ships and was to-day engaged in carrying all foodstuffs and general manufactures to Europe. Would it not involve us in most serious trouble? Would it not be claimed by some of those countries engaged in hostilities that we were carrying contraband of war? Would they not be seized and would it not involve the United States in complications that could be avoided if they were privately owned?

Mr. EDMONDS. That question was discussed in last night's New York Evening Telegram. The English are very much alarmed over the fact that some American shipping lines, or perhaps the United States Government, is going to buy these German ships and put them into the trade business. As a matter of fact, under international treaties, under the Hague convention, and under every convention that has been made between countries, the United States can buy a ship and ship goods to unblockaded ports of a belligerent, but the cargo might be contraband and it might be confiscated if it was captured on the seas, but the ship could not be captured. In other words,

England says that grain to Germany is a contraband of war. Now, you might ship a vessel from here to Germany loaded with grain, and before she got into the port of Hamburg, or wherever she was going, an English ship might capture her and take her cargo, take over her contraband.

Mr. WILLIAMS. And the United States would have to stand for that?

Mr. EDMONDS. Well, the shipper would have to stand for it. The Government would not have to back him up.

Mr. STEPHENS. Suppose the ship was one belonging to a Government-owned line?

Mr. EDMONDS. I do not approve of putting a Government-owned line into international business.

Mr. STEPHENS. Is not that what you are contending for?

Mr. EDMONDS. I am talking about the South American business.

Mr. ROBERTS. But it would not be on the face of it a Government-owned line. It is like the Suez Canal, which is an English-owned canal. As a matter of fact, it is a stock company in which England holds nearly all the stock.

Mr. STEPHENS. But the United States owns the Panama Steamship Co., every penny of it, every share of stock.

Mr. ROBERTS. That makes no difference.

Mr. STEPHENS. As a lawyer, do you think that?

Mr. ROBERTS. Yes, sir.

Mr. WILLIAMS. If my shipment is confiscated, is Uncle Sam's ship, with her flag flying, to be humiliated, and are we going to stand for it?

Mr. EDMONDS. Now, I do not approve of the Government going into the international business. As a matter of fact, we have nothing to worry about this situation. When they want grain on the other side, with the exception of Germany and Austria, they will get it. The English Government is large enough to send her ships here, load them up and take them back with convoys.

Mr. TALBOTT. They need not bring them here. They can go to Canada.

Mr. EDMONDS. They can come here. We have nothing to fear from that. If Great Britain sent ships here to-day and outside of Sandy Hook there was a fleet of war vessels waiting to take them home, that is none of our business. We have no business to guarantee any insurance of cargoes. It is simply a subsidy to the man who wants to handle the grain. You are putting it into his pocket, because he will charge it to the English on the other side when he delivers the goods. The situation in regard to cotton, which is not a contraband of war, and also grain will work itself out between here and the European ports. Let them come and get the grain. They are going to come after it and we are going to give it to them; and it is absolutely useless to talk about building a line of Government steamers to send it to Europe. Here is a field more profitable for us to consider in South America.

Mr. TALBOTT. And there is practically no competition?

Mr. EDMONDS. No, sir.

Mr. TALBOTT. Now, Mr. Edmonds, I would like you to tell us which is the most feasible of the two plans you have mentioned, for the Government to buy these vessels, or for the Government to subsidize these lines?

Mr. GERRY. Mr. Edmonds, in your statistics you have not touched at all on anything in regard to the extra cost of food in our merchant marine.

Mr. EDMONDS. I have no figures on that. I do not know where there would be any figures. Our regulations call for better providing of the crews than most foreign vessels. For instance, the Chinese crews eat rice, and I understand it only costs them \$2 or \$3 a month to feed them. In the United States we have regulated the amount of butter to be used, the amount of air space to sleep in, and medical supervision. In fact, without reference to the pending seamen's bill, our sailor is better taken care of than the sailor of any other nation on earth, without exception.

Of course, when we pass the seamen's bill we are going to put him in still better shape. The white sailors of other nations are tired of being treated as they have been, and I think that 30 per cent of the men on English ships are Lascars, because the English sailors will not go on the ships.

Now, answering the chairman's question, I have considered the matter and I think that our Navy is not well supplied with transports and supply ships. There is only one thing for us to do at this time, and that is for us to build a line of Government ships or buy them and run them to South American ports. It is not going to cost very much. In the first place, you have only two things to consider. The north coast of South America is well taken care of, including Cuba. We have the Ward Line, the Porto Rico Line, and the United Fruit Co. Line. They are doing good work down there, and in the results of exports and imports the work of these lines is shown favorably. For instance, in Costa Rica we are selling a far greater percentage of imports than any other country. The same as to Venezuela. Colombia we are on the outs with, and we are not doing so well with her. In Peru we do not do so well. Why? Because foreign lines go there. Costa Rica is a good buyer of flour. Brazil buys 300,000 tons of cement a year, and she buys it from Germany. She also buys 2,000,000 tons of coal. On Saturday there was an inquiry in New York for 500,000 tons of coal for immediate shipment. Of course, they do not want it all immediately, but they want to know they are going to get it, and they do not know it now during the present European war. We have never been able to make an entry into those ports, because these other countries have worked against us. In some cases the freight is about 89 per cent of the cost, delivered into Brazil, whereas ours is 123 per cent.

Mr. WILLIAMS. What is that for?

Mr. EDMONDS. That is for coal from England and Belgium.

Mr. WILLIAMS. Is there any coal in South America?

Mr. EDMONDS. There is coal in Chile, Peru, and Colombia, and, I think, in Venezuela. I do not know of any coal being discovered in Brazil, although I have no doubt there is coal in the Andes. The character of the coal is very poor.

Mr. WILLIAMS. Is there any in Argentina?

Mr. EDMONDS. I do not know. It may be there but undiscovered. Some time ago I had some coal from South America in my desk in my office at Philadelphia, and when I took it out it exploded and went to powder. Why, I have not the least idea.

Mr. TALBOTT. What would be the size of the fleet you have in mind, whether it is purchased or subsidized?

Mr. EDMONDS. We should have at least a semimonthly or a three times a month service to Brazil and Argentina.

Mr. TALBOTT. Both ways?

Mr. EDMONDS. Yes; three times a month, once every 10 days. Now, it is 8,000 miles to Buenos Aires and 6,000 miles to Valparaiso, from New York, in round figures.

Take a 20-knot boat. You notice that the Post Office Department talks about speed. Why, these Government ships that they are proposing to put in would make us a laughing stock in South America. They have not got over laughing at our fleet down there because we sent it all around the world followed by a fleet of supply ships which were not American ships but English and Swedish ships. When it went to Buenos Aires an American who was there told me that it made him sick the way the fleet went around the world. He said, "Why, these people just laughed at it and thought it was very funny that a nation that could send such a big fleet around the world could not have auxiliaries, colliers, and supply ships to go with them."

If I can go back to subsidies, for a moment, I want to speak a little on Canadian subsidies. If you send to the Library you can get the books on subsidies. I want to call your attention to the way they do it. They run a line from Montreal to South America and from Montreal to Jamaica in the West Indies. In both of those lines it is understood that those ships will not stop at any United States ports. They are not to stop even for coal. They could not stop in our ports unless they were damaged and had to do it. That is in the contract. The second thing is that they must give preference to Canadian goods. If there is a cargo of American goods and a cargo of Canadian goods, no matter how fast they are required to go, they can not take the American goods until they take all the Canadian goods, and then if there is room on board they will take the American goods. That is what their subsidies are for. Preference must be given to their goods.

Mr. ROBERTS. That would be natural, would it not?

Mr. EDMONDS. If they are paying a subsidy it is very natural.

Mr. ROBERTS. They are not paying a subsidy for other nations?

Mr. EDMONDS. Certainly not.

Mr. GERRY. When there is an understanding that the boats shall be used for transports, do they not have certain requirements as to how they shall be built in order to be used as naval auxiliaries?

Mr. EDMONDS. Yes, sir. The *Lusitania* and the *Mauretania* get \$705,000 a year in subsidies. That is for the two of them together.

Mr. GERRY. In other words, their building was supervised by the English naval engineers?

Mr. EDMONDS. Yes, sir. The English Government loaned \$20,000,000 in order to build those two ships, and then take it back on a credit of \$705,000 a year.

Mr. GERRY. Has that been a general policy?

Mr. EDMONDS. No; that was a departure from their general policy. Their general policy was to give a general subsidy, with the understanding that their boats could be used as transports and naval auxiliaries. As a matter of fact, nearly every passenger boat can be used as a naval auxiliary or transport. The only requirement for a

transport is to have high speed enough to get away from the enemies' ships.

Mr. ROBERTS. In order to have an up-to-date transport and supply ship you must have a light armor, and you can not put in a battery, unless it is a saluting battery, on the ordinary passenger ship, because the frame is not built to sustain the recoil of a large gun. That is why the British want to supervise the construction of auxiliaries, in order to insure a gun-carriage platform in those ships.

Mr. EDMONDS. I think that is true.

Mr. GERRY. Do they not require a double hull?

Mr. ROBERTS. I am not sure about that.

Mr. GERRY. Then their subsidy would not be a building subsidy?

Mr. EDMONDS. No; the British supervise the building of the ships, but they do not pay a shipbuilding subsidy. The shipbuilding companies in France get a tonnage subsidy, and they supervise the building of the boats to a certain extent, and all of the transports.

Mr. GERRY. Is that true of Germany?

Mr. EDMONDS. I am not sure about that. You know the heaviest stockholders in the North German Lloyd and the Hamburg-American Lines are the Kaiser's family. We pay the North German Lloyd Co. more every year for the carrying of mails than does the German Government.

In other words, they are getting more money out of us every year to carry the mails than the German Government pays—\$50,000 or \$75,000 a year more—and yet with all of that extra money we do not get the registry, because they give special rates on the railroads. For instance, they will give the Krupp works or some big manufacturing company a better rate, a special rate, and I think it is sometimes only 33 per cent of the rate.

Mr. WILLIAMS. The Government owns the railroads?

Mr. EDMONDS. Yes, sir.

Mr. WILLIAMS. And requires a certain percentage to be paid to the shipping company?

Mr. EDMONDS. They just rebate the freight. If a manufacturer has a shipment to Rio de Janeiro or Buenos Aires, they simply make him a through rate from the works to Buenos Aires. He does not know anything about it, but it is made up in the reduction of the freight rate on the railroad. The Government makes no bones about that. They notify all manufacturers that the railroads will make special rates. There is no regularity about the rate, although they play fair, and every manufacturer making a certain line of goods will get the same rate, but there is no regularity. In other words, they may make the rate \$1.50 on a certain piece of business and \$1.75 on another piece of business, exactly the same kind of goods.

Mr. ROBERTS. That is a question of the administration of the railroads. That same policy is adopted here in making the classification. Take very bulky freight that you can not get much of in a car, and they will make the charge on that class of goods less than they would on a very heavy shipment of freight.

Mr. EDMONDS. But they do not make any rebates?

Mr. ROBERTS. They do not rebate, but they classify the rates.

Mr. TALBOTT. What ought to be the terminals of these lines?

Mr. EDMONDS. The Panama Railroad Co., which is the owner of the Panama Steamship Co., ought to pay all the cost, including interest, sinking fund, and upkeep. In other words, it is only a bookkeeping charge. I have not the least doubt that the first three years you ran this line you would lose money. After that I feel certain that you would make money. You will have to show those people that you are going into this business right and proper, and in order to do the business you should have 10 passenger boats, costing from \$1,000,000 to \$1,500,000, and those boats should not be under 18 knots, and should be 20 knots.

Mr. STEPHENS. What tonnage?

Mr. EDMONDS. From 8,000 to 10,000 tons. You should have about 10 freighters of about 10,000 tons each, costing about \$500,000 apiece. These freight boats would go anywhere; they would bring nitrate from Chile, take coal to Brazil, and they would carry meat. They should be modern and have ice and refrigerating plants.

Mr. ROBERTS. The meat-carrying trade is something separate from bulk freight of grain, coal, and nitrate; you have to have a refrigerating plant?

Mr. EDMONDS. Yes, sir.

Mr. ROBERTS. You can not use a collier fitted up to carry nitrate or cement for the transporting of meat?

Mr. EDMONDS. At the present time there is a line of refrigerator boats running out of London, and they carry freight, but what kind of freight it is I do not know. They have built 10 magnificent 10,000-ton refrigerator boats that run from London to Buenos Aires, and they are boats, I think, of 24 knots speed.

Mr. TALBOTT. You have not answered my question. Where should the terminals be on this side?

Mr. EDMONDS. We should have terminals at Boston, New York, Philadelphia, Baltimore, and New Orleans, with the possibility of Mobile. My idea was, Mr. Chairman, that if we started the line we could run every other boat, say one boat from Baltimore and Philadelphia, a second boat from New York and Boston, and then have a freight boat running from New Orleans to connect at a certain point and transship the freight. We could have a trunk line. Then the New Orleans boat could run to Panama and transship down the west coast, or it might possibly go to Porto Rico or some island in the West Indies and transship there for the east coast. That would make the New Orleans boat do a very quick turn all the time, and the San Francisco boat could also do a very quick turn. You could also cross in the West Indies. After you had the two trunk lines built from the eastern Atlantic coast, to the western coast of South America, and to the eastern coast of South America, the only two other places you have to consider, the West Indies and Mexico, are taken care of all right. Those two lines, by crossing each other, could transship at Panama and take care of the freight from different sections of the country.

Mr. TALBOTT. Admiral Blue stated the other day that it was cheaper to ship the freight from California to New Orleans by rail than to send it by water.

Mr. STEPHENS. No; he said the time would be less.

Mr. EDMONDS. You have at Panama every facility for handling these transshipments.

Mr. TALBOTT. What would be the terminals on the Pacific coast for California?

Mr. EDMONDS. Mr. Stephens can answer that question better than I can. I suppose you would have to take Seattle and San Francisco.

Mr. STEPHENS. Portland, Seattle, San Francisco, Los Angeles, and San Diego.

Mr. EDMONDS. These steamers which would make fairly quick trips need not be so large in size because when they get to Panama they will catch the big steamers going through to the western coast.

Mr. TALBOTT. You think that there should be 15 vessels?

Mr. EDMONDS. I think 20 vessels; 10 freighters and 10 passenger boats.

Mr. TALBOTT. To take care of both coasts?

Mr. EDMONDS. I think 20 boats. The South Americans are in the habit of ordering goods and getting them in 60 days; and I think the only way you can do this is by having a regular line running there and only taking off the ships when absolute stress requires you to do it. You must have quick boats to take the freight.

Mr. TALBOTT. Personally, I do not hesitate to say that I would rather have the Government buy the right kind of vessels and put them into the trade than to take the warships.

Mr. ROBERTS. I should like to ask Mr. Edmonds another line of questions. Your bill proposes that this freight and passenger business shall be done by the Government through the agency of the Panama Railroad Co. What salaries are paid to the high officials of the Panama Railroad Co.?

Mr. EDMONDS. I do not really know. All the steamship lines pay about the same salaries. I asked the captain of the *Colon*, and he said that he was getting about the same salary as other captains.

Mr. ROBERTS. I am not speaking of the captains of the ships, but the president, the secretary, and treasurer, etc.

Mr. EDMONDS. I do not know. Col. Goethals is the president of the Panama Railroad Co. The reason I made this the Panama Railroad Co. is that you must recognize the fact that this business is a peculiar one in itself, and requires a force of men who are able to handle it. We have right here to-day employed by the Government a force of men who are conversant with it. The manager in New York is considered one of the best posted men in the southern trade, and you have a force of men with agencies in the different cities.

Mr. ROBERTS. He is connected with the Panama Railroad Co.?

Mr. EDMONDS. He is the manager of the steamship company. You have a force of men who are absolutely capable to take this line and run it, and who know the business. If you put it in the Navy Department you will have a lot of inexperience to overcome, owing to the lack of knowledge of the usual methods, and instead of \$100,000 the line they propose will cost \$1,500,000 to \$2,000,000 a year and you are not going to get anything out of it.

Mr. WILLIAMS. The Panama Railroad Co. now operates this line of steamers?

Mr. EDMONDS. Yes, sir; they have four or five steamers; very poor steamers.

Mr. WILLIAMS. The *Panama* and *Colon* and the *Ancon* and *Cristobal*.

Mr. ROBERTS. Two of those steamers will be turned over to the Navy Department.

Mr. EDMONDS. The *Ancon* and *Cristobal* belong to the War Department and are leased to the Panama Railroad Co.

Mr. GERRY. Was it your idea also in regard to having the Panama Railroad Co. run the boats that it might obviate certain international difficulties in South America during war?

Mr. EDMONDS. In the South American trade I did not figure at all that there would be any difficulty.

Mr. GERRY. There is a possibility that in the future there might be a South American war?

Mr. EDMONDS. That would have to be met according to the conditions. The Panama Steamship Co. running these steamers would not obviate international difficulties; it would not be any particular advantage.

Mr. TALBOTT. If we should report a bill, and it should be adopted, establishing a line to carry the mail and freight to South America, would you have it operated under the Navy Department?

Mr. EDMONDS. I like that portion of the Weeks bill in which he makes a naval reserve out of it. I have incorporated that in my bill. Unfortunately, Mr. Clark has sent the bill to the Committee on the Merchant Marine and Fisheries. I have incorporated in my bill those sections making the Navy Department supervise the crews, and I do not know of any reason why they should not.

Mr. TALBOTT. This bill may get into such a shape that we will not have jurisdiction of it.

Mr. ROBERTS. If we do not incorporate the naval auxiliary feature, we will not have jurisdiction of it.

Mr. EDMONDS. There are about 8 or 10 bills looking toward the Government running steamships. The Committee on the Merchant Marines and Fisheries has three or four bills. The Senate has a couple of bills also. I should like to see your committee report this bill out. I have amended this bill, including the Navy Department's requirements as to officers and crews.

Mr. WILLIAMS. What bill is that?

Mr. EDMONDS. The bill H. R. 18336, which is in the Committee on the Merchant Marine and Fisheries. You can amend this bill here. There are a few changes in regard to the wording of the bill also, and if you compare it you will find them. With that bill amended as it is, H. R. 18336, you will then bring out a bill that is going to give you supervision of the proposition, and it will make the Panama Steamship Co. the agent for the running of the ships, paying you sufficiently out of the freight to keep the ships running and to take care of the upkeep.

Mr. TALBOTT. Your judgment is that for the first three years they will be run at a loss?

Mr. EDMONDS. Yes, sir.

Mr. ROBERTS. Does the Panama Railroad Co. own the terminals in New York or lease them?

Mr. EDMONDS. They lease them. It is a city dock.

Mr. ROBERTS. Do you know how large those terminals are for an increase of business over what is now being done?

Mr. EDMONDS. No; you would require more terminals than you have there. They have a fine wharf in New York. It is a city wharf.

Mr. ROBERTS. The other day you gave us some information, not in the record but speaking privately, as to the volume of business in the South American countries and the proportion that we should get. Could you put those figures in the record?

Mr. EDMONDS. Yes, sir.

(The statistics submitted by Mr. Edmonds follow):

It must not be understood by our manufacturers that there is no market for high-grade goods; these countries have in the last 20 years made advances that equal any countries upon earth, but the fact seems to be that we have not appreciated it as much as the other nations, who have lost no opportunity to secure these markets for themselves.

In Latin America there are 20 republics. These include Mexico, Cuba, Haiti, and the Dominican Republic. During 1911 they exported \$1,276,685,464 worth of their goods. The principal countries they exported to and the percentage of the total exports were: United Kingdom, 21.17 per cent; Germany, 12.88 per cent; France, 9.03 per cent; United States, 34.15 per cent.

During the same year they imported a total of \$1,154,778,637 and the percentage of their imports and the principal countries were: United Kingdom, 25.54 per cent; Germany, 16.59 per cent; France, 8.17 per cent; United States, 23.25 per cent.

In what are classed as the North American Republics, and which include Mexico, Guatemala, Salvador, Honduras, Nicaragua, Costa Rica, Panama, Cuba, the Dominican Republic, and Haiti, the United States bought in the same year \$241,974,119, or 72.32 per cent of their products, but only sold in return \$138,881,664, or 53.16 per cent of their total imports.

In the South American Republics, which include Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Paraguay, Uruguay, and Venezuela, the United States bought \$194,077,163, or 20.59 per cent of their products in 1911, and sold them \$129,588,325, or 14.50 per cent of their imports.

This state of affairs is not true of either the United Kingdom or Germany. The United Kingdom bought 21.17 per cent of their products and sold them 25.54 per cent of their imports. Germany bought 12.88 per cent of their products and sold them 16.59 per cent. Upon looking closer we find that the imports from the United States are largely made up of materials in which very little labor enters, such as steel and iron in bars, railroad material, cottonseed oil, rosin, and rough lumber, cotton bagging, twine, thread, unrefined coal oil, and agricultural machinery, leaving the market open to the European manufacturers for the higher-grade goods, in many of which we could successfully compete with them if we would only meet the trade conditions and arrangements.

Investigating a little further into the South American trade, I am going to present to you a few facts about some of the individual countries. The latest trade reports received are those of 1910 and 1911, being the latest reports available at this time.

I am going to write particularly of the countries on the west coast of South America in this letter, as these countries will be much more in touch with our country after the completion of the canal, and should be good markets for our products. They are Chile, Bolivia, Peru, and Ecuador.

Chile has a population of 3,500,000. Its largest city has nearly 400,000 inhabitants. It has over eight cities with over 25,000 inhabitants. Its chief resources are nitrates, silver, copper, wool, hides, and agriculture. In 1911 Chile imported from the United Kingdom \$40,805,052, from Germany \$32,696,171, and from the United States, \$15,775,969.

If we analyze the principal imports, we find as follows:

Articles.	United Kingdom.	Germany.	United States.
Mineral products.....	\$7,462,000	\$9,690,000	\$3,980,000
Vegetable products.....	1,674,000	2,757,000	2,067,000
Textiles.....	12,170,000	8,200,000	769,211
Combustibles, oils, and paints.....	9,141,000	1,395,395	2,714,505
Paper, cardboard, and manufactures thereof.....	1,996,185	453,330	1,086,240
Pharmaceutical preparations and chemicals.....	677,330	1,036,016	297,000
Machinery.....	5,847,592	5,162,268	3,603,645

But looking further into those figures we find under "mineral products" that over \$3,000,000 of the imports from the United States are composed of steel and iron in bars, sheets, and plates, ingots, nails, piping wire, and steel rails, our manufactures of the higher products like hardware, tools, gas and electric-light fixtures, wagon tires, axles, bolts, nuts, and screws being hardly represented, the United Kingdom and Germany supplying these wants.

Of the imports from the United States in vegetable products 80 per cent are composed of cottonseed oil, rosin, staves, and rough pine lumber; and of the imports of textiles 80 per cent are composed of cotton bagging, rope, twine, thread, flannel, and gray shirting. Hardly any silk, wool, or ready-made clothing, and all the cotton manufacturers imported the cheaper grades.

In the combustibles, oils, and paints 90 per cent of our imports were in unrefined coal oil, a very little coal, and a very small quantity of paints, and a fine opportunity for either.

In machinery the bulk of the imports from our country were agricultural machinery and implements; engines, boilers, and electric machinery were a negligible quantity.

BOLIVIA.

Bolivia has a population of about 2,250,000 people, the vast majority of whom are of Indian or mixed races, only about 500,000 being white.

The capital of Bolivia has 80,000 inhabitants. As it has no seaport town it is exceedingly difficult to estimate the imports of this country and where they originate. According to the best authority obtainable, Bolivia in 1911 imported \$22,764,849 worth of goods, of which the United States furnished \$3,847,200; the United Kingdom, \$4,863,318, and Germany about \$4,021,264. The import trade is in the hands mostly of Germany, and a considerable import trade exists with Chile. No doubt many manufactured goods are sold in Bolivia through both Chile and Peru. Its chief imports are provisions, hardware, cotton, woolen, linen, and silk goods, and ready-made clothes. Comparing the present imports of Bolivia from the United States with that of 1909 we are losing ground in this market, and looking over the statistics the same condition prevails as in Chile, all of the higher class of manufactures being sold by other countries than ours.

PERU.

We next come to Peru, with a population of 4,000,000 people, over half of whom are white.

Peru is a great exporter of mineral products, as well as of sugar, rubber, and cotton. The United States makes a good showing in both the exports and imports, buying \$10,187,998 and selling \$6,069,863 in 1911.

In looking over the imports and using approximate figures, we find:

Imports.	United Kingdom.		Germany.		United States.	
	Value.	Relative position.	Value.	Relative position.	Value.	Relative position.
Cotton textiles.....	\$1,800,000	1	\$450,000	2	\$160,000	4
Linen and hemp manufactures.....	250,000	1	32,000	3	5,000	3
Silks.....	60,000	2	120,000	1	(¹)	-----
Leather goods.....	60,000	1	40,000	2	35,000	2
Wearing apparel.....	250,000	1	15,000	3	55,000	5
Metal manufactures.....	1,250,000	1	200,000	3	500,000	2
Furniture.....	45,000	2	50,000	1	40,000	3
Coal, glass, china, etc.....	250,000	1	140,000	2	50,000	4
Wood, and manufactures.....	15,000	2	15,000	3	300,000	1
Paints, dyes, etc.....	60,000	3	65,000	2	200,000	1
Paper, and manufactures.....	35,000	3	150,000	1	45,000	2
Tools, machines, and vehicles.....	250,000	2	75,000	3	400,000	1
Dry goods, miscellaneous.....	22,500,000	1	11,400,000	4	1,500,000	2

¹ Not enumerated.

This table gives an idea of the importations into this country of manufactured goods,

The numerals after each amount in the table show the position of the country in the table of imports. There is a good field for improvement in our imports here, as the distance from New York through the canal is about 3,500 miles.

ECUADOR.

The last country with seaports on the west coast of South America is Ecuador. Its population is about 1,500,000, about two-thirds being of the Indian race.

Ecuador exports coffee, rubber, ivory, nuts, cocoa, and medicinal barks. Its principal imports are in value as follows:

United Kingdom.....	\$2,455,599
United States.....	2,249,674
Germany.....	1,570,903

The United States leads in the following articles: Canned goods, lard, flour, leather for shoes, and shoes, coal, wire, corrugated iron, machinery and iron piping, railway material, drugs, and kerosene.

The United Kingdom leads in the following: Cotton lace (\$45,000), cotton piece goods (\$900,000), woolen piece goods (\$275,000), silk goods (\$10,000), cotton handkerchiefs (\$48,500), spool cotton (\$50,000), and candles (\$65,000).

Germany leads in rice (\$100,000), woolen shawls (\$33,000), stockings (\$50,000), glassware (\$15,000), soap (\$45,000), furniture (\$22,000), beer (\$90,000) and rifle cartridges (\$40,000).

Spain ships to this country about \$50,000 per year of knit cotton undershirts, over half of its imports in this line.

France does a large business in wines and distilled liquors.

There are two countries in South America whose export and import trade amounts to over 50 per cent of the whole import and export business of continental South America. These countries, Argentina and Brazil, are importing more and more every year manufactured goods of all kinds, and while we are using in our country more of their products every year we are unfortunately not increasing our exports to them, but on the contrary, estimating over a term of years and by percentages, are selling them less. Of course, it can be readily said that our home markets are the best, but we should not lose sight of the fact that we at least ought to try to secure some outlet for our surplus.

As both Argentina and Brazil are friendly toward us, why should we not push our export trade with these two nations?

BRAZIL.

In Brazil the trade conditions are as follows:

From—	Average imports for the years 1899-1903.	Imports for the year 1911.
United States.....	\$11,220,000	\$34,602,000
United Kingdom.....	25,710,000	74,695,000
Germany.....	10,630,000	43,180,000
France.....	8,600,000	22,744,000

During the year 1911 the United States imported over \$115,000,000 worth of goods from Brazil, while England imported about \$49,000,000 and Germany about \$47,000,000. The balance of trade is therefore badly against us.

There is hardly a line of manufactured goods that is not used in Brazil, and outside of a few specialties, like automobiles and typewriters, our exports are very small. Out of \$25,000,000 worth of cotton goods which Brazil imports we supply her a comparatively small amount; of nearly 2,000,000 tons of coal we supply but 2 per cent; and of \$3,500,000 worth of cement we supply but 1 per cent. Out of 18,594 tons of industrial machinery we export only 4 per cent and out of \$5,000,000 worth of paper and manufactures thereof less than 1 per cent.

This is a condition which should not exist. Considering the fact that our imports from Brazil amount to over \$115,000,000, our exports are entirely out of proportion, showing that there is not the reciprocal trade relation there should be.

ARGENTINE REPUBLIC.

The Argentine Republic has a climate somewhat the same as our country and uses about the same manufactured goods as the United States.

Its total exports in 1911 amounted to \$315,000,000 and its imports amounted to \$355,000,000.

Argentina exported, during 1911, to—

United Kingdom.....	\$89,000,000
Germany.....	42,000,000
France.....	38,500,000
United States.....	23,500,000

Argentina imported, during 1911, from—

United Kingdom.....	\$105,000,000
Germany.....	64,000,000
France.....	37,000,000
United States.....	51,000,000

There is no doubt that with free meat the business between Argentina and the United States would show considerable growth during the next few years. As the amount of textiles and other goods imported is so great and hardly any of them are from the United States, we should be able to do a considerable business with this Republic. Undyed cotton yarns, bags, and unbleached cotton piecegoods, blankets, and hats, together with the special goods produced in the United States, like oil, agricultural machinery, etc., seem to make up our present exports to this country. There was imported from the United Kingdom alone \$25,000,000 worth of coal, but none from the United States.

A comparison of the percentages of total imports from the principal importing countries to Argentina in 1909 and 1911 are as follows:

Country.	1909	1911
	<i>Per cent.</i>	<i>Per cent.</i>
United Kingdom.....	32.8	29.6
Germany.....	14.7	15.0
United States.....	14.2	14.3
France.....	10.2	10.4

In the two years the total imports increased over \$62,000,000.

Between the Argentine Republic and Brazil there are two small countries, Paraguay and Uruguay.

PARAGUAY.

Paraguay imported about \$6,250,000 in 1911, and the United Kingdom supplied about 40 per cent of all the imports, Germany about 20 per cent, and the United States supplying about 5 per cent. Of the imports 30 per cent were in textiles, supplied almost exclusively by the United Kingdom. Foodstuffs, hardware, ready-made clothing, firearms, and machinery are imported to make up the balance.

URUGUAY.

In Uruguay the imports amounted to \$47,687,000, the United Kingdom supplying about 25 per cent, Germany 15 per cent, and the United States about 10 per cent. Uruguay imports foodstuffs, textiles, chinaware, iron and steel manufactures, machinery, paper, tobacco, woods, leather goods, paints, etc.

On the northern coast of South America are situated Venezuela and Columbia. The trade conditions between these two countries and the United States show a much better balance than on either the eastern or western coasts. Yet the same condition prevails with the manufactured goods, the English and German imports steadily increasing, while the United States imports proportionately decrease.

VENEZUELA.

The volume of business done by Venezuela is as follows:

Country.	1909	1911
United Kingdom.....	\$2,348,802	\$5,253,864
United States.....	3,151,005	5,219,558
Germany.....	2,075,569	3,196,945

The total imports from all countries were, in 1909, \$9,766,181; in 1911, \$18,394,889. Imports of cotton textile manufactures in 1911 were as follows:

United Kingdom.....	\$3, 400, 000
Germany.....	630, 000
United States.....	430, 000

The imports that the United States led in in 1911 were flour, drugs, butter, machinery, kerosene, hams, and bacon. The United Kingdom led in textiles and thread.

The population of Venezuela is about 2,750,000, and of this number 2,250,000 are white. The country abounds in great natural resources, its exports to the United States amounting to \$7,083,000 out of a total export of \$22,684,000.

COLOMBIA.

The other country, Colombia, imported, in 1911, \$18,108,863 worth of merchandise, against imports of \$10,561,046 in 1909. The imports for 1911 were divided as follows:

United Kingdom.....	\$5, 838, 790
United States.....	5, 404, 976
Germany.....	3, 242, 635
France.....	1, 817, 748

Out of the \$18,108,863 imports, \$8,025,856, or nearly one-half, were in textile manufactures, supplied by the following countries:

United Kingdom.....	\$4, 202, 733
Germany.....	1, 194, 529
United States.....	1, 089, 945
France.....	897, 992

The United States leads in foodstuffs, metals, drugs, railway cars, vehicles, paper and cardboard, lighting and fuel, and in almost all of the other classifications of imports, with the exception of the textiles. In the imports of manufactures of rubber, tortoise shell and horn, musical instruments, varnishes, colors, and inks Germany has the lead.

Colombia imported \$22,375,899 worth of her products in 1911, of which \$12,248,995, over one-half, were shipped to the United States. Colombia as a shipper of its various products is growing early. This country has a population of 4,500,000. Owing to the proximity of its northern coast harbors to Colon, in Panama, it would be one of the nearest countries in continental South America for us to do business with. While, however, its imports are increasing steadily year by year from the United Kingdom and Germany, its business with the United States is nearly at a standstill.

A comparison for the years 1910 and 1911 shows this conclusively:

Country.	1910	1911
United Kingdom.....	\$4, 100, 000	\$5, 838, 790
Germany.....	2, 600, 000	3, 242, 635
France.....	1, 700, 000	1, 718, 748
United States.....	5, 100, 000	5, 404, 976

PANAMA.

North of Colombia is the new Republic of Panama, which has a large importing trade and a very small export trade. In 1911 reports show imports of \$10,020,070 and exports amounting to \$1,754,050.

The principal imports during 1910 and 1911 were divided as follows:

Country.	1910	1911
United States.....	\$5, 652, 653	\$5, 384, 156
United Kingdom.....	2, 166, 988	2, 238, 716
Germany.....	966, 151	1, 023, 748

The United States leads in imports of foodstuffs, animal products, mineral products, paper, drugs, machinery, and vehicles. The United Kingdom leads in the manufactured textiles.

The record for 1911 in textiles was as follows:

United Kingdom.....	\$914, 656
United States.....	554, 415
Germany.....	103, 670

The same condition exists in Panama as in the other Latin-American countries, about 10 per cent of the manufactures in textiles being imported from the United States, while 40 per cent of the same goods are imported from the United Kingdom. By all means we should be able to export to Panama a much larger percentage of textiles and manufactures thereof.

During a recent visit to Panama I found a large number of visitors from foreign countries to the Canal Zone were merchants and manufacturers who were not only inspecting the working operations of the canal but were traveling north and south along the Pacific coast, as well as the eastern coast of South America, with a view of studying trade conditions and opening up trade relations with the business men there. There is no doubt that they are successfully increasing business for their countries.

In Central America there are six Republics, including Panama, which country I wrote you about in my last letter.

These Central American Republics are growing steadily commercially, and while in the past some of the Governments have been very unstable, they are rapidly becoming sensible to the fact that it will be necessary for them to recognize their responsibility to the world at large and conduct themselves in a better manner on account of their close proximity to Panama.

GUATEMALA.

Guatemala has a population of nearly 2,000,000, about 60 per cent being Indians. Guatemala's imports and exports for the years 1909 and 1911 were as follows:

	1909	1911
Imports.....	\$5, 251, 317	\$6, 514, 421
Exports.....	10, 079, 219	10, 961, 724

About 40 per cent of its imports are from the United States, about 23 per cent from Germany, and 20 per cent from the United Kingdom.

Its imports of textile manufactures during 1911, including wool, silk, and cotton, were \$2,665,795, supplied principally by the following countries:

United Kingdom.....	\$1, 026, 646
United States.....	511, 486
Germany.....	703, 887

While in Guatemala the United States ranks first in iron and steel manufactures, Germany is a close second. The same condition prevails with drugs and medicines, agriculture machinery, and manufactures of leather. Germany is way ahead of us in manufactures of wood, paper and paper supplies, glass and chinaware, and manufactures of lead, tin, and copper.

SALVADOR.

Salvador has a population of 1,161,426, about 200,000 being Indians.

This country did an export business during 1911 of \$8,406,309 and imported \$5,390,370 of merchandise. Its total foreign business increased \$2,700,000 in 1911 over 1910, showing how rapidly the demand for goods such as we manufacture is increasing.

Below is a comparison of the imports for 1909 and 1911 from the three principal countries:

	1909	1911
United States.....	\$1, 344, 315	\$1, 924, 651
United Kingdom.....	1, 438, 613	1, 644, 237
Germany.....	482, 341	534, 130

In the principal lines of textiles there were imported \$2,270,000, including cotton, silk, and woollen goods. These imports were divided as follows:

United Kingdom.....	\$1, 184, 475
United States.....	592, 933
Germany.....	116, 773

The United States is way ahead in many lines of goods, such as hardware, drugs and medicines, boots and shoes, foodstuffs, and machinery, and, outside of the textiles, there are very few articles in which we do not have the lead.

HONDURAS.

Honduras has a population of 553,446, 90,000 being Indians. Its foreign trade in 1911 was \$7,000,000, of which \$3,560,939 were imports, the United States supplying \$2,534,133, the United Kingdom \$500,029, and Germany \$300,685. Of the imports, \$1,180,303 were in cotton manufactures alone, the trade being principally in the hands of the United Kingdom and the United States. The United Kingdom supplied the higher-grade goods and our country the cheaper. The United States is well ahead in machinery and shoes, paper and manufactures thereof, drugs, chemicals, and foodstuffs.

NICARAGUA.

The population of Nicaragua is about 600,000, but, like most of the Central American countries, the people are descendants from the Indians.

The last report shows that in 1910 this country's imports amounted to \$2,856,305, or about the same importation as in 1908. Of this amount, \$675,000 was represented in textiles and about \$100,000 in shoes. One-half of the shoes came from the United States and the balance from England. The United States stands well ahead in the iron manufactures, both large and small, and also in foodstuffs. The textile manufactures, however, stand as follows:

United Kingdom.....	\$252, 681
United States.....	225, 844
Germany.....	74, 134

COSTA RICA.

The little Republic of Costa Rica, with only 23,000 square miles and a population of 388,266, did a foreign business during 1911 amounting to \$17,987,710, \$8,967,560 being imports and \$9,020,149 exports. Both the import and export trade of this country have been growing rapidly, the following table showing the imports from the three principal countries for the years 1909 and 1911:

	1909	1911
United States.....	\$3, 175, 202	\$4, 153, 162
Germany.....	823, 129	1, 704, 745
United Kingdom.....	1, 059, 762	1, 553, 118

It will be noted that in the two years the United States increased its imports 34.2 per cent, while Germany increased 78.7 per cent. I have been unable to secure the exact statistics as to the imports from the different countries of textile manufactures. They amounted in 1911 to about \$1,600,000, increasing in double the amount since 1909, when they were about \$850,000.

There seems to be a good general field for all manufacturing lines in Costa Rica, in limited quantities, of course, that would pay us to look into, as the nearness of the ports of this country to Colon, in Panama, should give shipping facilities which could not be beaten by any other country.

Mr. STEPHENS. Is it possible to get a later table?

Mr. EDMONDS. 1912 is the last book which came out. 1911 is really the best, because we have not the figures for the different kinds of articles in the 1912 report. It is very hard to get reports from the South American Governments. When you try to get the data, you have to wait until they are ready to give it to you. It is

a country of to-morrow. These people get out things when they are ready. About nine months ago I prepared this statement. It was the last report I could get. The bureau sent me the other day the 1912 report, which is very small in comparison with the 1911 report, because it does not contain an account of the different items.

Mr. ROBERTS. Our Bureau of Statistics could furnish us with the statistics?

Mr. EDMONDS. I think they would have to get the statistics from the Pan American Union. They tell me that they have a great deal of trouble in getting statistics.

Mr. ROBERTS. We could get through the customhouses the amount and variety of the imports?

Mr. TALBOTT. I think the Bureau of Statistics can give us the information we need.

Mr. EDMONDS. I will insert the statistics for 1911. I just want to show you that we bought from Brazil \$115,000,000 of goods, of which \$90,000,000 was coffee, and we sold them \$34,000,000 of goods. Chile, on the west coast, in 1911 bought \$40,000,000 of goods from England, \$32,000,000 of goods from Germany, and \$15,000,000 of goods from the United States. You might say that was doing pretty good. As a matter of fact, she bought \$12,000,000 of textiles, cotton and woolen, from England, \$8,000,000 from Germany, and \$700,000 from the United States. All the goods she bought from us were mineral products, oil, lumber, and such things, and none of the manufactured goods at all. With England and Germany together they did \$21,000,000 of business in manufactured goods.

Our manufacturers are showing a disposition to meet the requirements of those people, and the minute they know that they can get the proper transportation they will certainly look this business up and try to get it, if possible. To-day, if we had the ships running I have not the least doubt that every ship which went out would be loaded. They want cement, coal, etc. A dealer who got an order for 500,000 tons of coal was able to charter in New York the other day about 8,000 tons, and what he is going to do for the balance, I do not know.

Mr. ROBERTS. And yet there are enough ships doing nothing?

Mr. EDMONDS. But they will not go out.

Mr. STEPHENS. Would you favor waiting until the Government could build a certain number of ships or are you in favor of purchasing the ships at once?

Mr. EDMONDS. I would go at it in this way: If I could purchase a ship suitable for the trade, I would buy it, and if I could not buy a ship suitable for the trade, I would build it. I would not start out with the idea of making a great big splash and not amounting to anything. I would have the right kind of ships.

Mr. STEPHENS. Has the Navy any vessels suitable for this trade, except that it may use colliers in the freight-carrying service?

Mr. EDMONDS. Take the *St. Louis* and *Minneapolis*; neither of those boats is suitable. They are absolutely unsuitable, and we would make ourselves a laughing stock for the people of South America sending those ships down there with two or three hundred tons of freight and with 15 passengers. They would think that we were

crazy. It would cost about \$20,000 to make a voyage, almost double the price of a 14,000-ton merchant ship.

Mr. TALBOTT. And they will carry about 50 tons of mail.

Mr. EDMONDS. It will not do to let the people in South America think that you are doing another patch job. The first ship must be right, and if you only run that one ship it must be right. Then, the second ship must be right or you will not impress the people, and you will not get the business. I am entirely satisfied that you can get the business. I know it is there. Every man in Philadelphia who went down after the business got it, and if he takes care of it will keep it. I am perfectly well satisfied, particularly on the west coast of South America, that the people want to deal with us.

Mr. TALBOTT. Mr. Edmonds, why is it that private enterprise does not go into this business?

Mr. EDMONDS. Because they will not take the trouble to build it up and they will not stand the loss. We have one line running there to-day. Mr. Schwab is building a line to run from Chile with iron ore for the Bethlehem Iron Works. I do not think he will build many steamers, but I think he will buy them. There is plenty bulk freight there that is being taken care of by the Standard Oil Co.'s steamers—

Mr. STEPHENS (interposing). But they will not carry general freight.

Mr. EDMONDS. No, sir; they can not. These are tank steamers, built just for that purpose. Now, there is another thing. All the lines running on the east coast of South America and all the lines running on the west coast of South America are under an agreement with each other, and that, of course, covers everything. There is no use talking any further about it. We know that they agree as to how many steamers shall run, who shall run them, from where they shall run the steamers, and where they shall be run to, and I guess, if you come down to it, you will find that it covers how much freight is to be charged. That is the kind of proposition we are confronted with. They are in the hands of foreign steamship companies each working for his own country. Each one is naturally going to make a freight rate that will stand against this country and for the benefit of the big steamship lines running from his own country.

Mr. STEPHENS. As a matter of fact, you can not ship any considerable tonnage to any part of South America from New York or any other American port and get a particular rate without consulting either Berlin or Bremen.

Mr. EDMONDS. I believe that is true. Their agreement is shown up here in a report of the Shipping Trust investigation, and you can find it on page 153, chapter 6. You can find all of it in there. You can find in these reports the story of the combination, the story of how they worked in the combination, and this pretty nearly tells us how they worked the freight rates. The Lloyd-Braziliano Line has not been so successful, and therefore they have gone into the combination lately. There is no line on either coast of South America that is working in favor of the United States, and we ought either to subsidize a line or we ought to run a line down there and take upon ourselves the first loss of the line, and in that way encourage our trade with that country. Then, after having taken the first loss on the line, when normal conditions are restored, we could dry up the line,

so far as the Government is concerned, and let private interests take it over.

Mr. TALBOTT. Under such conditions as the Government would impose?

Mr. EDMONDS. Yes, sir; under such conditions as the Government might impose; and you would then have left all of the 20 ships that you would want in the Navy, anyhow. They would always be useful. You would have on hand a number of ships that you could either absorb in the Navy or let them continue on the new line in private hands.

Mr. WILLIAMS. Do you propose that the Government shall acquire 20 ships to be operated under the management of the Panama Railroad Co.?

Mr. EDMONDS. Yes, sir.

Mr. WILLIAMS. To carry the mails, and you provide that those ships shall constitute a part of the auxiliary ships of the Navy, and that they are to be commanded for use by the Navy whenever they may be required for that purpose?

Mr. EDMONDS. Yes, sir.

Mr. WILLIAMS. And in that way you give this committee jurisdiction of the matter?

Mr. EDMONDS. Yes.

Mr. TALBOT. We can not take jurisdiction of it unless we do it that way.

Mr. EDMONDS. I think, of course, that every man naturally likes his own bill after he has thought it out, and I suppose Mr. Alexander and Mr. Stephens would like their bills as I do mine, but I really think that in any bill along this line, if we are going into the Government ownership of vessels, we ought to take into consideration the proposition that this line should be a reserve for the Navy, and that the men and officers on them ought to meet the requirements of the Navy, so that in case we should change them at any time they would be easily capable of doing the work that would be required of them.

Mr. GERRY. You say that the Government could finally cease running this line and that it could be taken over by private ownership, and you also stated earlier in the hearing that no private companies, or no private American companies, could compete with the foreign companies, owing to our navigation laws. Now, it does not seem to me that the Government could cease the operation of this line as long as we have the present mercantile laws—

Mr. EDMONDS (interposing). I have thought of that, and I do not know whether the Government would be able to cease after a time, but if we take care of this trade, if it will not help to build up the merchant marine any, it will meet the question of getting our commodities to South America and of getting us into closer touch with those countries—

Mr. GERRY. But, according to your own statement, it will not aid any in the building up of an American merchant marine.

Mr. EDMONDS. I think you are wrong there.

Mr. GERRY. I am simply taking your statement.

Mr. EDMONDS. If you take six or seven thousand young men who would be employed on these boats and who would learn this business, you will see that we would be building it up. There would be more men going on and coming off the ships, and more men who would be

accustomed to sea life and who would understand the sea. They would naturally like to go back into that life again, and I think one of the main things we lack to-day is skilled men. You see, under the registry bill, in reference to the registry of ships, provision is made for taking over the foreign officers, because we have not enough officers to command them. The unions say that we have enough officers, but the business men say that we have not.

Mr. GERRY. You mean that we will not have enough applicants for the positions?

Mr. EDMONDS. No, sir; I mean men who have licenses.

Mr. GERRY. Do you mean to say that we do not carry enough officers for these vessels if they were placed in the merchant marine?

Mr. EDMONDS. Yes, sir; you carry enough, but there would not be enough captains with licenses to man the big influx of ships.

Mr. GERRY. In other words, not enough men seeking those positions. But that does not go into the question of whether or not we would have a merchant marine unless it pays. The question of whether or not there would be a sufficient number of men to officer the ships would not come up unless it should be profitable.

Mr. TALBOTT. Would the retired officers of the Navy be fit for this service?

Mr. EDMONDS. Yes.

Mr. ROBERTS. Would any question be raised about the licensing of naval officers to run these ships?

Mr. EDMONDS. No.

Mr. ROBERTS. A naval officer has no license of this kind.

Mr. TALBOTT. But if this law provided that the Secretary of the Navy should designate the officers for this service, there would be no difficulty.

Mr. ROBERTS. What I am asking about is this, whether a naval officer going into the merchant service would be required to have a license?

Mr. TALBOTT. Not if we gave the Secretary of the Navy authority to put him on the merchant vessel.

Mr. WILLIAMS. Is there not some international law or regulation that controls those things?

Mr. EDMONDS. No, sir; we could control that absolutely.

Mr. TALBOTT. The Secretary of the Navy could draw them from the retired list and designate officers from that list to take command of these vessels.

Mr. EDMONDS. There are no international laws in regard to the crews of ships. As you understand, there is an international requirement as to life-saving apparatus, etc., but in regard to crews there are no international laws at all. You could absolutely provide for that; you could put a 14-year-old boy on a vessel as captain if you wanted to, because there is no law to prevent you—that is, no law or regulation of a foreign country. There would be no question involved in that except the question of safety—that is, they might say that you are running your ships recklessly.

Mr. GERRY. The point I want to get at is this: In your opinion, would this bill eventually improve our merchant marine?

Mr. EDMONDS. As it stands to-day, there is no possible way, that I can see, by which we can build up our merchant marine to compete with those of foreign countries unless we subsidize it. Now,

the question would come up, maybe, in three or four years—that is, the question of having this Government-owned line and using your postal payments for carrying your mails, together with some extra sum you might put to it as a subsidy. Now, assume that a change in the conditions will occur in three or four years. You do not know what changes this war may bring forth. If foreign companies should then run ships profitably without a subsidy we could do so, but if they are to continue to pay subsidies on the other side the only thing to do would be to pay subsidies, or do what is proposed here; that is, own the vessels and stand the loss.

Mr. ROBERTS. The point Mr. Gerry is trying to get at is this: If we start a Government-owned line now with a dozen or twenty vessels engaged in the South American trade and it proves to be profitable under the conditions of Government ownership, which would tend to reduce the cost of running those ships by utilizing the sailors and officers of the Navy, would that success tend to build up private merchant ships in that same business?

Mr. TALBOTT. That is the question, of course. My idea is that if we establish the line and get the trade, eventually private concerns will come along and say, "We will take this over, and pay what is right for it."

Mr. ROBERTS. But don't you see that when a private concern takes the ships over, you must take the naval crews right off, and they must pay for commercial crews and officers, which would at once increase the expense enormously?

Mr. EDMONDS. Would it be increased?

Mr. ROBERTS. I think so.

Mr. GERRY. You have the retired list to draw from—

Mr. EDMONDS (interposing). They pay captains \$1,800 a year, and a captain on the retired list would cost about \$1,100 or \$1,200 a year besides his extra pay.

Mr. TALBOTT. A captain on the retired list receives more than \$1,200 a year, does he not?

Mr. ROBERTS. He receives about \$3,600 a year.

Mr. EDMONDS. One-fourth would be about \$1,200, and the captains would really cost you about \$1,200, because you are paying them anyhow. A captain on a vessel gets about \$1,800.

Mr. ROBERTS. Then there is another thing: With our navigation laws remaining as they are, I do not see, when the war ceases abroad and commerce resumes its usual activities—I do not see where there would be any profit in this Government-owned line at all.

Mr. TALBOTT. If we once get that trade, we ought to be able to keep it.

Mr. ROBERTS. I do not think you would ever show any direct profit.

Mr. TALBOTT. But, if we once get that trade, we ought to keep it.

Mr. WILLIAMS. We will keep it if we undertake to keep it by means of Government-operated vessels or by so changing the shipping laws as to make it profitable to private companies. That brings up this question: If we start this thing going, in the end we will have to let go, and when we do we will either have to abandon the trade or have the Government to resort to a ship subsidy. It would be the entering wedge of a ship subsidy.

Mr. ROBERTS. It is to be presumed that this war in Europe will be over inside of three years, and then all the steamers that are now tied up will be back on their usual runs. They will come in and compete with us on rates, because they are not going to lose business if they can help it. Now, in that event, what will we do? Are we going to hold the rates that we have been charging during the three years, or are we going into a rate war with them?

Mr. TALBOTT. We will have to meet the conditions then as they arise.

Mr. ROBERTS. It is a question of whether this Government would go into competition with them.

Mr. TALBOTT. I have an idea that if we ever once get the trade of South America, we can keep it.

Mr. ROBERTS. It is not a question of keeping the trade, but it is a question of carrying it.

Mr. TALBOTT. If we keep it, we can carry it.

Mr. ROBERTS. No, sir; not by a great deal. There are all kinds of trade between Boston and San Francisco, for instance, yet no particular line of railroad carries it and no particular line of steamships carries it. If the Government had a line, they might carry it cheaper than other lines could, but it would have to stand the loss. It is a question of how far this Government would be willing to go in a rate war with foreign lines when normal commercial conditions are restored throughout the world. I can not see how you will have any profitable lines, either under Government ownership or under private ownership, as long as our navigation laws remain as they are, and I do not see any possibility of the Government ever getting away from this line if we once establish it, unless they simply throw the ships into the junk heap.

Mr. WILLIAMS. Does it appear to you, Mr. Edmonds, that either your bill or the Weeks bill would simply be a temporary expedient?

Mr. EDMONDS. I do not think my bill would be a temporary expedient. My bill would mean the absolute establishment of a certain line that would bring returns. The Weeks bill would simply mean loss of money continuously.

Mr. WILLIAMS. So long as the Government operated it, we could get the trade, but it means that when the Government ceases to operate it, you will have to make some very favorable offers or inducements to any private company that would take it over.

Mr. EDMONDS. I think that is true. We have come to a point to-day where we find that we have got to have a merchant marine to carry our commerce. We must have something. Here is a serious condition of affairs existing in Europe, and to our shame we find that we have not enough ships at our command to take care of our business, or even to take care of our people over there, or to do anything with. If we had this line in operation to-day, just imagine how quickly we could have helped out our people on the other side. Would you not have felt good about it? As I said in the beginning, I am not an advocate of Government ownership, but you can not do business without establishing this line or some other line. You can not do that unless you take it up. The Government must take it up.

Mr. STEPHENS. Do you think it possible to build up the trade with South America with vessels of the Navy, as proposed by the Navy Department and according to the Weeks bill?

Mr. EDMONDS. No, sir. That bill is absolutely useless. I would not vote for that bill a minute. I do not want to fight against the bill, but it would be a farce, and the people of South America would simply be laughing at you.

Mr. ROBERTS. You had as well send the *North Dakota* and other battleships down there.

Mr. EDMONDS. You must not forget, in this connection, that you are providing these ships as a Navy reserve.

Mr. TALBOTT. I would like to know what would be the extent of it.

Mr. WILLIAMS. Is there not a large number of ships owned by the Navy and mentioned in the Weeks bill that could be utilized in this connection?

Mr. EDMONDS. Yes, sir; the colliers and the freighters could be used.

Mr. ROBERTS. I am in doubt whether it would be a wise thing to divert those colliers from their present use. I would rather see them put in reserve.

Mr. TALBOTT. I have an idea that the Government can buy advantageously all the vessels they want now if they would appropriate the money for them, because everything is tied up.

Mr. ROBERTS. I was told by somebody connected with the shipping business that while there was a number of vessels tied up not a single one of them could be bought because the prices are too high.

Mr. EDMONDS. I would not hurry about this matter. If I were buying steamers, I would take time.

Mr. ROBERTS. We could turn out in the Atlantic coast shipyards within six months' time not less than six of the best ships provided for in your bill.

Mr. TALBOTT. Is there anything else, Mr. Edmonds?

Mr. EDMONDS. In answer to a question that was asked, I would like to read this New York telegram from London:

Thus far the American attitude has been cordially approved here. England feels that America is behind her in sympathy, but for the German ships to begin carrying food to Germany would surely create a painful impression here, although it is admitted that the purchase is well within America's neutral rights.

That is a dispatch from England this morning in regard to the purchase of some of the Hamburg-American Line ships.

Mr. WILLIAMS. Would that contemplate carrying food to Germany?

Mr. EDMONDS. We were only talking about the Hamburg-American Line carrying food to nonblockaded ports, and, under our neutral rights, I think we could do it, but if they were caught the cargo could be taken. Now, Mr. Chairman, did you see this note of the Pan-American Bureau?

Mr. TALBOTT. No, sir; I did not.

Mr. EDMONDS. If you do not object, I would like to put it in the record.

Mr. TALBOTT. You can put in the record whatever you want.

Mr. EDMONDS. Mr. Barrett has written a letter in which he covers the entire South American situation. I will put that in the record. (The letter referred to is as follows:)

EXPLANATORY NOTE.

PAN AMERICAN UNION,
Washington, D. C., August 8, 1914.

The director general of the Pan American Union respectfully invites your attention to the inclosed special memorandum. It is an urgent appeal to all interested to help out South America in a most critical situation of commerce, shipping, and finance with which she is confronted by the European war, but for which she is herself in no way to blame. This situation presents the United States with a grave duty and responsibility as well as a great opportunity and legitimate advantage.

While the United States must hesitate to take any unfair advantage of foreign trade at the expense of nations engaged in war, it can not, on the other hand, hesitate to face this situation as it is and unselfishly respond to the call of help and cooperation coming from its sister Republics of South America.

If the United States ever had an opportunity to show the real Pan American spirit of mutual help and consideration it certainly has it now.

SPECIAL MEMORANDUM.

THE SOUTH AMERICA-UNITED STATES SITUATION AS AFFECTED BY THE EUROPEAN WAR.

The European war has developed such a critical situation in South America that Director General John Barrett, of the Pan American Union, in his capacity as an international officer—that is, an officer of all the South American countries as well as of the United States—makes the following urgent appeal to the commercial and financial interests of the United States:

"As the executive officer of the Pan American Union, the organization of the American republics devoted to the development of commerce, friendship, intercourse, and good will among them all, I appeal to the banking, shipping, manufacturing, exporting, and importing interests of the United States to give at this moment every possible aid and attention to the critical South American situation brought on by the European war. I also ask the newspapers, in both their editorial and news columns, to give all publicity possible to this matter, so that their constituents interested in this situation may be informed of their responsibility and opportunity.

"While everybody must profoundly regret that a condition of war and the sufferings of European nations engaged in a great conflict should in any way be exploited for the selfish gain of the United States, its business interests have a duty and responsibility in this crisis which must be met even if it may bring them vast material benefits. Looking at the situation in a thoroughly unselfish way it presents demands upon the United States from South America which can not be neglected, but which, if responded to in the right spirit, will be enormously beneficial to South America and the United States alike. The problem divides itself into four heads—imports, exports, ships, and loans.

"*South American imports.*—All South America is an enormous purchaser of the manufactured products of Europe. A large portion of this supply will be shut off during the next six months and possibly during the next year or two if the war continues. As many South American countries depend largely upon Europe for its absolute necessities and a major part of these orders are placed but a short time ahead because of the excellence of the regular shipping facilities, they are now face to face with an immediate famine in the articles which they most generally import. According to the latest available figures collated in the Pan American Union, the 10 South American countries—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela—annually import products valued at \$961,000,000. Of this there come from Europe products valued close to \$660,000,000. While Great Britain supplies products of this total to the value of approximately \$273,000,000, Germany, which is completely cut off by the war, supplies \$180,000,000; France, \$84,000,000; Italy, \$54,000,000; Belgium, \$47,000,000; Austria-Hungary, \$8,000,000; Netherlands, \$8,000,000; Switzerland, \$6,000,000, and other European countries lesser sums. For comparison it can be stated that the average imports from the United States of these 10 countries of South America amount to approximately \$155,000,000. Bearing the fact in mind that the commercial relationship of South America and Europe has been so well organized and systematized that 75 per cent of these imports are only ordered about a month or two months ahead of their delivery, it can be realized how soon the present supplies on hand in South America will be exhausted and that she

must depend upon the United States to make up the deficiency. If the United States manufacturers and exporters will exert every effort to supply this emergency demand without increase of prices or unnecessary delay they will accomplish great permanent good for themselves and the South American business interests alike.

"South American exports.—The same compilation of figures shows that South America annually exports to foreign countries products valued at approximately \$1,177,000,000. Of this total nearly \$700,000,000 go to Europe. Of these products Great Britain takes approximately \$270,000,000; Germany, \$157,000,000; France, \$104,000,000; Belgium, \$80,000,000; Netherlands, \$44,000,000; Italy, \$27,000,000; Austria-Hungary, \$22,000,000; with the remaining amount divided among different countries.

"For comparison, it can be stated that these 10 countries of South America export to the United States annually products valued at approximately \$250,000,000.

"With, therefore, their principal markets for their raw products temporarily closed against them, these 10 countries are looking for a place to dispose of their accumulating stores, and if the importing interests of the United States, including the manufacturers of raw material, can relieve the situation by increasing their purchases they may save the South American business interests from a financial crisis.

"Ships for the South American trade.—As nearly 90 per cent of the exports and imports of these South American countries are carried in German, British, and other European bottoms, which are now withdrawn from the sea, all of their principal ports, like Rio de Janeiro, Montevideo, Buenos Aires, Valparaiso, Callao, and La Guaira, are in a state equal to that of a formal blockade. The majority of these vessels will be absolutely unable to operate for many months and possibly for several years, unless the situation is quickly remedied. There is no limit to the sufferings that will come to these countries and ports if their facilities for sending out their exports and bringing in the necessary imports are cut off. In this crisis it is to be sincerely hoped that the bill now being passed by the United States Congress may be of great assistance in relieving the situation. That, however, can only point out the way. There must follow the placing upon the high seas to operate between the United States and the principal South American ports a fleet of vessels flying the American flag, and this can only be done by United States companies taking advantage of this act of Congress and carrying out the provisions of this bill.

"National loans.—Just as war was declared several of the principal countries of South America were negotiating loans in the European financial capitals. These loans are inspired by the pressure of local conditions and are absolutely necessary for the welfare of countries concerned. For the present, and probably for a long period, it will be impossible to float such loans in Europe. Under the circumstances these Governments will naturally turn to the banking and financial interests of the United States, which heretofore have seldom subscribed for South American loans or shown much interest in them. By endeavoring to help out these Governments in this crisis they can not fail to perform, not only a great service to such Governments, but place themselves in a favorable position to obtain other loans in the future and favorable consideration from the Governments concerned.

"In conclusion, it is gratifying to state that the Department of Commerce of the United States with commendable energy has already started an organization to relieve this situation, but far-reaching results can only be accomplished by the direct action and interest of the entire financial and commercial interests of the United States; and if the Pan American Union can give any information which will be helpful to those who may be interested, it will be glad to supply all the data within its power."

PAN AMERICAN UNION,
Washington, D. C., August 8, 1914.

Mr. EDMONDS. I call your attention to the agreement in regard to South American trade contained in the report of the Shipping Trust investigation at page 170. The report reads:

Southbound trade.—In the outward trade from New York to the River Plata an oral understanding has existed since about January, 1912, between the Lamport & Holt Line, the Houston Line, the Prince Line, the Barber Line, and the American & Rio Plata Line, with reference to the fixing and maintenance of rates. Representatives of these five lines, according to the testimony, meet regularly once a week in the offices of the different lines as may be most convenient.

In other words, they do not always meet in the same place so you could keep tab on them.

Mr. ROBERTS. Before we adjourn I want to suggest this: We have not been able to get any figures anywhere as to the kind and char-

acter of the imports and exports between this country and the South American countries. We can only get the values from the Statistical Abstract.

Mr. STEPHENS. At one time the Abstract was published by the United States Government in two volumes, one volume giving the information that you are asking for. It may be so now.

Mr. ROBERTS. I would like to have Mr. Theall ask the Bureau of Statistics if they have anywhere the amount of exports and imports from this country to South America, and if they have not, they can dig it out.

Mr. TALBOTT. We must have all that before we make a report.

Mr. ROBERTS. It would have some bearing on what we want to recommend in the way of shipping to know the character of the cargoes they are carrying.

Mr. EDMONDS. There is one thing I want to call to your attention, and that is this: Just at the present time we want to direct to this country the long-fiber staple cotton of Peru, which is equal to the Egyptian cotton. We want to get skins to keep down the price of shoes. Shoes have gone up 25 per cent or 30 per cent on account of the price of hides. Now, I want to call your attention to House Report No. 4136, Fifty-eighth Congress, third session, on the development of American merchant marine and American commerce.

Mr. TALBOTT. Suppose we put that in the record.

(Thereupon the subcommittee adjourned.)

(The matter submitted by Mr. Edmonds follows.)

Latin American foreign trade in 1911—A general survey.

[Reprinted from the February, 1913, issue of the Bulletin of the Pan American Union.]

Countries.	Imports.			Exports.			Total foreign trade.		
	1910	1911	Increase.	1910	1911	Increase.	1910	1911	Increase.
Mexico.....	\$97,432,891	\$98,007,893	\$1,426,008	\$130,023,135	\$147,451,968	\$17,428,833	\$227,456,026	\$245,453,861	\$18,002,835
Guatemala.....	6,251,317	6,514,421	1,263,104	10,079,219	10,981,724	902,505	15,330,536	17,496,145	2,165,609
Salvador.....	3,746,249	5,390,370	1,646,121	7,297,536	8,406,399	1,108,863	11,043,065	13,798,679	2,755,614
Honduras.....	3,019,416	3,560,939	541,523	2,571,916	3,024,726	452,810	5,591,332	6,585,665	994,333
Nicaragua.....	2,583,237	2,556,305	273,048	3,999,428	4,545,075	555,647	6,572,666	7,401,380	828,693
Costa Rica.....	7,892,637	8,967,561	994,924	8,464,411	9,020,150	555,739	16,447,086	17,987,711	1,540,643
Panama.....	10,066,994	10,020,070	1,36,924	1,769,330	1,764,050	15,280	11,836,324	11,774,120	1,52,204
Cuba.....	103,675,531	113,433,135	9,757,554	150,906,020	122,885,952	28,020,068	254,584,601	236,319,087	18,265,514
Dominican Republic.....	6,257,691	6,949,662	691,971	10,949,623	11,004,906	55,283	17,107,314	17,954,568	847,254
Haiti.....	7,682,000	7,948,117	266,117	11,065,453	15,475,331	4,409,878	18,660,453	23,423,448	4,762,995
North American Republics.....	247,687,053	261,647,463	13,960,410	336,992,401	334,550,191	2,442,210	584,649,454	596,197,654	11,548,200
Argentina Republic.....	341,217,736	355,806,365	14,588,629	391,447,374	314,936,612	76,510,762	702,664,810	670,782,977	31,881,833
Bolivia.....	18,125,000	22,764,549	4,639,549	29,660,867	32,221,577	2,560,710	47,213,867	54,991,006	7,777,139
Chile.....	233,534,537	277,734,537	44,200,000	310,000,000	325,771,617	15,771,617	543,381,273	583,034,571	39,653,298
Colombia.....	106,662,479	127,384,479	20,722,000	127,622,119	120,375,899	7,246,220	228,034,168	251,255,596	23,221,428
Ecuador.....	17,000,942	18,000,942	1,000,000	17,000,942	17,000,942	0	34,001,884	34,001,884	0
Paraguay.....	3,653,346	3,653,346	0	13,000,000	13,000,000	0	16,653,346	16,653,346	0
Peru.....	22,000,000	20,000,000	2,000,000	31,000,000	28,000,000	3,000,000	53,000,000	48,000,000	5,000,000
Uruguay.....	42,706,706	47,687,115	4,980,409	43,333,126	46,318,098	3,000,000	89,683,731	94,005,124	4,321,393
Venezuela.....	12,387,152	18,394,890	6,007,738	17,948,571	22,664,384	4,715,813	30,336,123	41,078,274	10,742,151
South American Republics.....	810,973,196	893,131,174	82,157,978	949,238,909	942,135,273	7,103,636	1,760,212,005	1,835,266,447	75,054,442
Total Latin America.....	1,053,660,249	1,154,778,637	99,118,388	1,268,201,210	1,276,685,464	8,484,254	2,344,861,459	2,431,464,101	86,602,642

1 Decrease.

* 1909.

* 1910.

* Fiscal year ending Sept. 30, 1911.

The foreign commerce of the 20 Latin American Republics for the year 1911, customhouse values, was \$2,431,464,101, imports \$1,154,778,637, and exports \$1,276,685,464. For the preceding year the figures (revised and corrected) are: Imports, \$1,058,660,249; exports, \$1,286,201,210; total, \$2,344,861,459. The increase in imports for the year was \$96,118,388, and the decrease in exports \$9,515,746, a net increase of \$86,602,642 in total trade.

The population of these 20 republics, from the best obtainable sources of information—estimates in many cases, and in these more probably over than understatement—amounts to about 73,666,000. On this basis the foreign commerce for 1911 was \$33 per capita—imports \$15.67 and exports \$17.33.

The foreign commerce of the United States for the same year was: Imports, \$1,553,067,130; exports, \$2,093,526,846; total, \$3,646,593,976, which shows a per capita of imports \$16.63, exports \$22.70, total \$39.33. In other words, Latin Americans per individual bought within \$0.96 and sold with \$5.37 as much to outsiders as the people of the United States bought and sold. Latin American per capita foreign commerce exceeded the like per capita of Austria-Hungary, Russia, Italy, Spain, Portugal, any of the Balkan States, Greece, and Turkey. It was three and one-half times that of Japan, nine times that of British India, and twenty times that of China.

The per capita of Cuban commerce—imports \$53.35, exports \$69.92—exceeded that of the United Kingdom, and the per capita of Argentina (\$50.91 and \$45.07), of Uruguay (\$42.88 and \$41.65), and of Chile (\$36.40 and \$35.40) exceeded the per capita of the United States, France, and Germany.

In 1911, owing to the fall in price of a number of the more considerable Latin American exports, there was a slight decrease in exports measured by values, but on the whole an increase measured by quantities. The annual increase in total trade by values in 1911 was less than 4 per cent, imports 9 per cent, exports -0.7 per cent. The increase of 1910 over 1909 was about 10 per cent, and this figure may be conservatively reckoned as about the normal percentage of increase in recent years, although if a period longer than 10 years be taken the annual percentage of increase will be found to average more than 10 per cent.

	Imports.	Exports.	Total.
1911.....	\$1,154,778,637	\$1,276,685,464	\$2,431,464,101
1897.....	415,079,562	495,342,937	910,422,499
Increase.....	739,699,075	781,342,527	1,521,041,602
Per cent of increase, 14 years.....	178	158	167
Average yearly per cent of increase.....	12.7	11.3	11.9

Of extraordinary increase in trade during this period of 14 years, Cuba furnishes a remarkable instance, as shown in the following table. To avoid fluctuations occurring in the case of exports, averages for the three years at the beginning and the three years at the end of the period are given.

	Imports.	Exports.
Average 1909, 1910, and 1911.....	\$102,852,099	\$132,835,347
Average 1896, 1897, and 1898.....	11,253,063	17,931,502
Increase.....	91,599,036	114,903,845
Per cent of increase.....	814	641
Yearly per cent of increase.....	49.3	62.6

This remarkable showing, however, was due to something more than the annual increase in trade under normal conditions. It represented Cuba's emergence from the hampering condition of European sovereignty into the free state of republican government.

The following table shows annual increase under normal conditions:

Argentina.

	Imports.	Exports.
Average 1909, 1910, and 1911.....	\$330,232,438	\$363,944,083
Average 1896, 1897, and 1898.....	106,080,087	117,266,087
Increase.....	224,271,771	236,677,966
Per cent of increase.....	211	202
Yearly per cent of increase.....	16.2	15.5

TRADE BALANCES.

The following table gives the trade balances of the Latin American countries for the years 1910 and 1911:

(Plus (+) means excess of exports over imports and minus (—) excess of imports over exports.)

Countries.	Trade balance.	
	1910	1911
Mexico.....	+ \$32,590,244	+ \$51,445,085
Guatemala.....	+ 14,827,902	+ 4,467,303
Salvador.....	+ 3,652,587	+ 3,015,939
Honduras.....	— 447,500	— 536,213
Nicaragua.....	+ 11,406,171	+ 1,688,770
Costa Rica.....	+ 481,754	+ 52,589
Panama.....	— 8,287,064	— 8,266,020
Cuba.....	+ 47,233,439	+ 9,452,817
Dominican Republic.....	+ 4,591,982	+ 4,065,244
Haiti.....	+ 3,326,483	+ 7,527,214
North American Republics.....	+ 89,275,348	+ 72,902,728
Argentina.....	+ 20,229,738	— 40,849,753
Bolivia.....	+ 10,945,967	+ 9,461,306
Brazil.....	+ 74,431,601	+ 67,508,057
Chile.....	+ 11,439,640	— 3,497,062
Colombia.....	+ 599,516	+ 4,267,036
Ecuador.....	+ 4,548,046	+ 5,550,404
Paraguay.....	+ 1,337,448	— 1,463,416
Peru.....	+ 8,636,229	+ 5,106,110
Uruguay.....	+ 536,419	— 1,309,079
Venezuela.....	+ 5,561,019	+ 4,289,404
South American Republics.....	+138,265,613	+ 49,004,099
Total Latin America.....	+227,540,961	+121,906,827

¹ 1909.

² 1910.

In the consideration of international commercial statistics it is necessary to disburse one's mind of the idea sometimes entertained that a surplus of exports over imports, i. e., a favorable trade balance, means that the country having such a surplus is to that extent accumulating capital; or, conversely, with an unfavorable balance is growing poorer. Many newspaper and magazine writers on commercial and financial subjects fall into this error, believing themselves able to compute, almost to the exact dollar, pound, franc, or mark, the increase in capital or wealth in any country. Nothing could be more fallacious.

While there is in truth a fundamental relation between the sum total of exports and of imports and between this balance, favorable or unfavorable as it may be, and national capital increases or decreases, yet the two trades follow separate, distinct, and by no means parallel channels, and in sums total increase or decrease in one trade, owing to conditions which may sometimes be reflected in both trades but most often are not, has no close relationship to increase or decrease in the other trade. In other words, it is necessary to consider separately the kinds and character of exports and of imports in order to arrive at an understanding as to whether the whole trade from a

national standpoint is gainful or otherwise, always bearing in mind that what is beneficial to the individual may or may not be beneficial to the country, and, on the other hand, that individual loss may be national gain.

It is likewise essential to take into consideration questions of foreign capital investments as reflected in imports, and the interest and dividend payments on this capital as reflected in exports. Does the sum total of imports represent wholly running expenses, or does it in part represent foreign capital investments? Does the total of exports stand for the proceeds of profitable industry alone, or does it in part stand for withdrawals of capital or, perhaps, reckless exploitation and wasting of national resources?

The most notable fact apparent on the face of Latin American commercial statistics is the large increase in imports, in the last two years for which compiled statistics are possible, namely, 1910 and 1911.

The increase in imports in 1910 over the preceding year was over \$171,436,000, and in 1911 over 1910 over \$96,118,000; in all an increase of nearly \$267,555,000, or 30 per cent in two years. Nearly \$150,000,000 of the increase in the first-mentioned year was in the imports of Mexico, Cuba, Argentina, Brazil, and Chile, and nearly \$85,000,000 of the increase in the second year was in the imports of Cuba, Argentina, Brazil, Chile, Peru, Venezuela, and Uruguay.

What does this increase in imports in two years of 30 per cent for the whole 20 countries and much more than 30 per cent for a number of them represent? On the face of the figures it might be taken to mean only an increase in running expenses due to an increase in population and a raising of the standard of living, or even to the increase in cost of living at a like standard. All of these things have had their influence on augmenting the volume of imports, but by no means do they account for the whole increase or even for the greater part of it.

The bulk of the increase in imports of \$267,500,000 was additional capital investment. The collection of statistical data has not reached (and never will) that degree of comprehensiveness from which we can determine the ultimate use and purpose of all imports. This being true, it can readily be seen that any attempt to determine the percentage of capital investment must fail. However, from known facts it can be stated, with a reasonable degree of certainty, that the proportion of capital investment is certainly more than one-half and probably two-thirds of the whole increase. This capital investment does not represent entire foreign capital invested during the period in Latin America; it represents only the capital indirectly invested. In the main this capital investment appears in the customhouse reports as imports of railway equipment and material, material for dock improvement, mining, agricultural, and other industrial development; that is, it is a part, not the whole, of the imports credited under these and other heads.

It is important to have a clear understanding of the social and industrial conditions of Latin America in order to understand the currents of trade, both in imports and exports. These conditions are unlike those in any other part of the world. From the standpoint of production Latin America is in general almost primitive, while from the standpoint of consumption it is abreast of Europe and the United States. That is to say, the exports of Latin America are those of all new and but slightly developed countries, while the imports, on the other hand, are those of a highly developed and modern civilization. Its exports are the crude products of the mines, of the forests, and of agricultural and pastoral industries. It does not supply its own needs for anything except raw material and primary food products, and by no means all of these. Of manufacturing there is but little.

EXPORTS.

The following statement shows the value in United States currency of the exports of the 20 countries and the character and kind of the principal thereof:

Mexico.—Value, \$147,451,969; classified in general as mineral, \$93,350,060; vegetable, \$41,529,541; animal, \$9,212,809; manufactured products, \$2,241,771; and miscellaneous, \$1,054,788.

The principal mineral exports were: Gold (uncoined bullion), \$24,056,714; silver (uncoined bullion), \$39,257,689; other metals, including copper, lead, antimony, and zinc, \$18,002,721.

The principal vegetable exports were: Coffee, \$4,336,416; rubber, \$7,903,769; guayule rubber, \$4,815,140; chicle, \$1,829,160; chick peas, \$2,163,120; henequen, \$11,134,600; ixtle, \$1,644,038; cabinet woods, \$1,953,539; zacatón root, \$994,775; and vanilla, \$1,535,005.

The principal animal exports were: Hides and skins, \$5,063,799; and cattle, \$3,544,899.

The principal manufactured exports were: Sugar, \$745,412; cottonseed cake and meal, \$387,930; and palm-leaf hats, \$360,545.

Guatemala.—Value, \$10,981,724. The principal exports were: Coffee, \$9,273,909; bananas, \$526,711; sugar, \$344,015; hides, \$325,260; rubber, \$159,621; and woods, \$158,178.

Salvador.—Value, \$8,406,309. The principal exports were: Coffee, \$5,834,439; gold in bars, \$760,413; gold and silver amalgams, concentrates, etc., \$700,256; sugar, \$391,796; and indigo, \$261,031.

Honduras.—Value, \$3,024,726. The principal exports were: Gold and silver ore, \$1,051,675; and bananas, \$1,284,171.

Nicaragua.—Value, \$4,545,075. The principal exports were: Coffee, \$2,798,893; gold and silver ores, \$894,832; rubber, \$346,182; and hides, \$196,451.

Costa Rica.—Value, \$9,020,150. The principal exports were: Bananas, \$4,375,505; coffee, \$2,871,485; gold and silver in bars, \$1,183,165; and woods, \$91,054.

Panama.—Value, \$1,754,050. The principal exports were: Bananas, \$1,030,885; ivory nuts, \$118,408; coconuts, \$112,827; rubber, \$111,143; mother-of-pearl, \$62,493; hides, \$86,729; bar gold, \$119,580.

Cuba.—Value, \$122,885,952. The principal exports were: Sugar, \$85,168,933; molasses, \$1,197,433; distillates, \$431,543; tobacco, unmanufactured, \$16,888,761; tobacco, manufactured, \$13,098,982; iron, gold, and copper ores, \$3,874,172; woods, \$2,109,890; fruits, \$1,835,952; hides and skins, \$1,707,434; honey and beeswax, \$431,543; grains and vegetables, \$437,732; and sponges, \$299,139.

Dominican Republic.—Value, \$11,004,906. The principal exports were: Sugar, \$4,159,733; cacao, \$3,902,111; leaf tobacco, \$1,421,424; coffee, \$319,142; bananas, \$194,759; beeswax, \$165,317; hides, \$104,303.

Haiti.—Value, \$15,475,331. The principal exports were: Coffee, 51,795,659 pounds; cocoa, 3,228,350 pounds; cotton, 4,198,227 pounds; cotton seed, 8,058,080 pounds; campeche logs and roots, 75,197,092 pounds; honey, 190,148 gallons; orange peel, 462,725 pounds.

Argentina.—Value, \$314,956,612, classified in general as live animals and meat products, \$163,342,891; agricultural products, \$135,570,454; forest products, \$11,886,966; mine products, \$548,378; hunting and fishing products, \$1,613,386.

The principal live animals were beef cattle, \$7,956,667. The principal meat products were: Frozen beef, \$28,880,578; frozen mutton, \$6,667,086; salted cattle hides, \$19,053,091; flint cattle hides, \$14,353,723; wool, \$48,979,206; sheepskins, \$7,493,126; jerked beef, \$1,611,767; goatskins, \$968,672; bristles, \$1,534,259; chilled beef, \$1,464,316; horse hides, \$606,368; kidskins, \$276,561; canned meat, \$1,495,093; meat extracts, \$1,000,219; beef scrap and meal, \$877,588; butter, \$541,505; tallow and grease, \$11,415,833; margarin oil, \$625,921; casein, \$420,659; bones, \$2,376,463.

The principal agricultural products were: Indian corn, \$2,683,599; wheat, \$78,254,814; linseed, \$32,572,590; oats, \$11,316,302; hay, \$659,042; wheat flour, \$4,597,238; and bran, \$4,473,923.

The principal forest products were: Quebracho wood and extract, of the former \$3,690,681, and of the latter \$4,830,626.

The principal mining product was copper \$399,582, and the principal hunting and fishing products were whale oil \$1,169,973, nutria skins \$150,082, and ostrich and other plumes \$227,601.

Bolivia.—Value, \$32,226,156. The principal exports were: Tin, \$20,529,445; silver, \$2,997,909; bismuth, \$865,040; copper, \$556,508; rubber, \$7,379,265; and cocoa, \$199,310.

Brazil.—Value, \$325,271,614. The principal exports were: Coffee, \$196,515,379; rubber, \$73,352,116; hides, \$8,751,090; yerba maté, \$9,650,346; cacao, \$7,992,437; tobacco, \$4,709,345; skins, \$3,152,506; sugar, \$1,986,836; cotton, \$4,764,143; gold, \$2,275,440; manganese, \$1,255,601; Brazil nuts, \$1,291,053; carnauba wax, \$1,897,540; bran, \$1,781,392; cotton seed, \$878,853; and monazite sand, \$539,965.

Chile.—\$123,884,417; classified in general as animal products, \$7,668,669; vegetable products, \$5,281,687; mineral products, \$107,483,258.

Under animal products the principal exports were: Hides, \$760,728; wool, \$2,519,150; chinchilla skins, \$239,211; wax, \$128,954.

Under vegetable products the principal exports were: Bran, \$414,305; frijoles, \$669,262; carob beans, \$232,917; barley, \$657,880; oats, \$580,276; nuts, \$678,234; hay, \$166,742; wheat, \$505,232; wheat flour, \$283,221; quillay bark, \$158,604; oak railroad ties, \$78,675.

Under mineral products the principal exports were: Nitrate of soda, \$95,867,058; borate of lime, \$2,274,492; copper, \$4,506,182; copper ore, \$2,116,657; copper and gold ore, \$169,921; iron ore, \$417,560; and iodine, \$1,876,277.

Colombia.—Value, \$22,375,899. The principal exports were: Coffee, \$9,475,449; bananas, \$2,172,000; tobacco, \$332,935; ivory nuts, \$739,419; rubber, \$900,887; gold in bars, gold dust, and platinum, \$4,097,528; cattle hides, \$1,779,790; and Panama hats, \$1,088,821.

Ecuador.—Value, \$13,558,033. The principal exports were: Cacao, \$7,879,844; ivory nuts, \$1,665,951; Panama hats, \$1,255,990; rubber, \$1,004,029; coffee, \$729,262; gold ore, \$134,516; gold bars, \$114,152; and hides, \$256,725.

Paraguay.—Value, \$4,789,065. The principal exports were: Hides, \$1,134,606; quebracho extract, \$634,186; yerba maté, \$553,629; woods, \$979,740; tobacco, \$534,085; oranges, \$258,517.

Peru.—Value, \$36,071,056. The principal exports were: Minerals and metals, \$9,343,155; rubber, \$6,214,355; sugar, \$6,717,256; cotton, \$4,932,038; alpaca wool, \$1,291,579; sheep wool, \$706,578; llama wool, \$343,616; guano, \$382,489; hides, \$441,020; straw hats, \$588,439; and petroleum, \$532,730.

Uruguay.—Value, \$46,318,036. The principal exports for the half year were: Wool, \$15,611,333; hides and skins, \$4,871,978; meats and extracts, \$4,653,515; live animals, \$469,307; tallow and other fats, \$635,404; hair and bristles, \$120,673; bone and bone ash, \$33,406; residual animal products, \$80,881; oil-producing grains, \$319,067; flours, \$193,731; vegetables, \$43,460; and fruits, \$47,951.

Venezuela.—Value, \$22,684,384. The principal exports were: Coffee, \$11,390,208; cacao, \$3,601,371; balata rubber, \$2,449,068; hides, \$1,167,482; rubber, \$514,907; goat and kid skins, \$512,317; gold, \$644,212; live cattle, \$208,341; asphalt, \$267,533; copper ore, \$252,907; sugar, \$143,717; heron plumes (aigrets), \$309,847; divi-divi, \$161,237; tonka beans, \$137,173; and frozen beef, \$104,281.

IMPORTS.

Latin-American imports are in general of the same character as the imports of western European countries and of the United States, except that they do not comprehend any large proportion of raw material for use in manufacturing.

Outside of foodstuffs, crude oils, lumber, coal, some unwrought iron and steel, building and construction material and the like, the great bulk of the imports are articles of a high degree of manufacture finished for consumption.

A brief summary under general heads of the imports of three countries—Argentina, Brazil, and Cuba—will suffice to give some idea of the character of these imports.

Argentina.—Value, \$355,806,365. In broad classifications the imports were as follows: Live animals, \$505,884; food products, \$28,456,664; tobacco, \$5,715,051; wines, liquors, and other beverages, \$13,385,195; textiles and manufactures thereof, \$67,607,152; oils, grease, etc., \$15,413,750; chemical and pharmaceutical products, \$11,812,926; paints, dyes, etc., \$2,371,473; timber, wood, straw, and manufactures thereof, \$10,088,562; paper and manufactures thereof, \$8,409,881; hides, skins, and manufactures, \$3,489,850; iron, steel, and manufactures, \$41,793,169; other metals and manufactures, \$15,015,295; agricultural implements and machinery, \$13,281,601; locomotion—railway cars, equipment, rails, etc., carriages, wagons, automobiles, bicycles, etc., \$35,759,418; earths, stones, coal, etc., \$32,206,014; building materials, \$32,775,761; electrical apparatus, \$6,483,163; miscellaneous, \$11,235,558.

Some of the principal imports classified under the headings above were: Cheese, \$1,908,741; sardines, \$1,071,751; sugar, \$3,675,383; rice, \$2,033,494; coffee, \$1,292,588; yerba mate, \$5,378,183; cigars, \$1,320,410; smoking tobacco, \$2,587,257; sheep dip, \$1,711,987; silk piece goods, \$2,065,201; ready-made clothing, wool, \$1,220,004; all-wool piece goods, \$6,100,571; part-wool piece goods, \$3,080,498. Under cotton: Yarn, \$1,261,309; quilts, \$1,048,202; lace, \$1,286,326; stockings, \$1,675,725; piece goods, bleached, \$3,904,267; unbleached, \$1,010,643; prints, \$3,932,223; dyed, \$9,527,297; other cottons, \$2,393,693. Sail cloth, \$1,236,415; jute and hemp bagging, \$4,741,922; lubricating oils, \$2,114,618; olive oil, \$3,262,135; kerosene, \$1,896,169; naphtha, \$5,938,656; proprietary medicines, \$2,279,263; perfumery, \$1,370,485. Iron and steel, in bars, ingots, or slightly wrought, as wire, nails, staples, etc., \$22,198,895; iron and steel manufactures, \$19,594,273; coal, \$25,238,605.

Brazil.—Value, \$257,762,557. The imports are divided into four general classes as follows: Live animals, \$1,116,102; primary materials and materials used in the arts and industries, \$50,192,456; manufactures, \$144,143,489; and alimentary substances, \$62,310,511. The principal imports of primary materials and materials used in the arts and industries were: 1,001 metric tons of cotton sewing thread; 1,900 tons of raw and carded cotton; 110 tons of rabbit and beaver fur; 5,762 tons of lead, tin, and zinc bars and plates; 2,213 tons of copper; 7,246 tons of steel bars and rods; 29,673 tons of iron bars, rods, and plates; 16,407 tons of iron ingots; 15,000 tons of jute and hemp yarn; 746 tons of woollen yarn; \$1,885,522 worth of pine lumber; 3,870 tons of linseed oil; 2,634 tons of white lead and zinc; 1,221 tons of turpentine; 2,588 tons of sulphur; 688 tons of broom straw; 12,285 tons of malted barley; 218 tons of hops; 254 tons of leaf tobacco; 1,736,213 tons of coal; 221,136 tons of coal briquets; 12,584 tons of coke; 286,689 tons of cement; 6,726 tons of asphalt; and 17,269 tons of tar.

The principal imports under manufactures were: Manufactures of cotton, mixed or not, \$24,853,755; guns and ammunition, \$2,281,197; carriages and other vehicles, \$5,858,239; manufactures of lead, tin, zinc, and alloys, \$502,696; manufactures of copper and alloys, \$2,663,584; manufactures of steel and iron, \$26,381,494; musical and like instruments, \$1,802,465; surgical and dental instruments and material, \$513,514; mathematical, physical, and optical instruments and material, \$650,372; manufactures of wool, mixed or not, \$4,027,937; manufactures of linen, \$2,587,043; manufactures of jute and hemp, \$316,156; earthenware, porcelain, and glass, \$4,538,992; machinery, engines, tools, and hardware, \$28,155,103; manufactures of wood, \$1,550,139; manufactures of gold, silver, and platinum, \$490,037; manufactures of straw, esparto, pita, etc., \$477,692; manufactures of paper, \$5,678,381; manufactures of earths, stones, and like substances, \$1,429,046; manufactures of leather, \$1,317,838; perfumery, paints, inks, etc., \$2,686,271; chemicals, drugs, and pharmaceutical specialties, \$5,989,167; manufactures of silk, mixed or not, \$1,265,720; and miscellaneous, \$17,564,219.

Under alimentary substances the principal imports were: 333,146 tons of wheat; 158,761 tons of flour; 34,241 tons of codfish; 3,618 tons of preserved fish; 1,916 tons of dried fruits, 3,988 tons of condensed milk; 1,181 tons of hams and bacon; 424 tons of canned meats; 2,059 tons of canned vegetables; 16,532 tons of rice; spirits and fermented liquors to the value of \$907,015; wines to the value of \$11,386,570; 26,651 tons of jerked beef; 1,960 tons of butter; and 1,783 tons of cheese.

Cuba.—Value, \$113,433,135. As classified the principal imports were: Stones and earths, \$1,076,947; the principal import under this heading was 854,806 barrels of cement. Mineral oils, bitumen, etc., \$1,069,976; the principal imports under this head were 7,118,284 gallons of crude petroleum, 488,184 gallons of refined petroleum, and 585,883 gallons of other refined oils. Glass and crystal ware, \$1,262,218; the principal imports under this head were 3,236 tons of tableware, 7,393 tons of bottles, 459 tons of electric lamps. Earthenware and porcelain, \$820,360. Iron and steel, \$6,513,248; the principal articles under this heading were 11,656 tons cast-iron bars, rods, etc.; 4,192 tons other manufactures of cast iron; 20,918 tons wrought-iron and steel bars and rods; 12,906 tons sheets and plates; 3,726 tons wire and cable; 435 tons fine tools and implements; 4,816 tons nails; 1,801 tons tin plate; 7,107 tons piping and fittings; and 12,455 tons steel rails. Chemical products, \$3,062,802; the principal imports under this head were 20,969 tons commercial fertilizers, 2,074 tons acids, 426 tons dynamite, 21,340 tons salt, and \$251,511 worth of patent and proprietary medicines. Oils, soaps, etc., \$2,157,373; the principal imports under this classification were 122,386 gallons soap oil, 358,648 gallons other vegetable oils, 1,095 tons candles, 4,261 tons common soap, 2,230 tons soap grease, and \$517,830 worth perfumes. Cotton and manufactures, \$9,278,430; the principal imports under this head were 711 tons raw cotton, 285 tons thread and yarn, 4,496 tons plain tissue, 1,731 tons twilled pieces, 525 tons knitted tissues, 156 tons laces, and 200 tons ready-made clothing. Vegetable fibers (other than cotton) and manufactures, \$3,360,276; the principal imports under this head were 380 tons twine, 572 tons cordage and rope, 11,881 tons sugar bags, and 1,696 tons linen tissue. Wool, hair, and manufactures, \$1,181,783; the principal import was 487 tons woolsens. Woods and manufactures, \$2,767,191; the principal imports were 10,890 tons common lumber, 5,639 tons furniture, \$741,593 worth boxes and cases, \$570,253 worth barrels and staves. Manufactures of leather and furs, \$4,756,954; the principal imports were 861,884 pairs men's shoes, 1,783,245 pairs women's shoes, 1,186,948 pairs children's shoes, and 260,534 dozen pairs alpargatas. Machinery, \$9,136,992; the principal imports were sugar and spirit-making machinery, 57,659 tons, worth \$5,178,394; agricultural machinery, 553 tons, worth \$117,337; boilers, 948 tons, worth \$116,186; locomotives, worth \$423,697; and other machinery, 6,496 tons, worth \$1,639,643.

Apparatus, cars, carriages, etc., \$3,061,803; the principal imports under this head were 25,356 sewing machines, 1,262 typewriters, 17,825 weighing scales, railway coaches worth \$166,520; carriages and accessories, worth \$756,308; freight cars, 14,710 tons, worth \$1,021,788; and wagons and carts, 3,378 tons, worth \$310,819. Meats, \$10,630,504; the principal imports were 17,402 tons jerked beef, 7,659 tons salt pork, 1,928 tons hams and shoulders, 29,698 tons lard, and 1,815 tons canned meats. Fish, \$1,569,648, of which the principal import was 8,849 tons codfish. Breadstuffs, \$12,989,272; the principal imports under this head were 18,482 tons oats, 136,118 tons rice, 4,832 tons barley, 74,843 tons maize, and 851,447 barrels flour. Vegetables, \$4,491,995; the principal imports were 10,182 tons peas, 7,766 tons peas, 14,823 tons beans, 54,388 tons potatoes, and \$498,600 worth tinned vegetables. Beverages and food oils, \$3,224,093; the principal imports were 1,319,908 gallons olive oil, 274,568 gallons cottonseed oil, 31,411 dozen bottles white wine, 454,468 gallons white wine, 20,414 dozen bottles red wines, 5,055,236 gallons red wines, 413,678 dozen bottles of beer, and 430,095 liters distilled liquors. Dairy products, \$2,657,031; the principal imports under this head were 15,611 tons condensed milk, 849 tons butter, and 2,312 tons cheese. Other alimentary substances, \$4,299,048; the principal imports were 11,697 tons coffee, 720 tons confectionery, and 4,288,608 dozen eggs.

Distribution of trade—Imports.
LATIN AMERICAN EXPORTS TO LEADING COMMERCIAL COUNTRIES.

	Total.		United Kingdom.		Germany.		France.		United States.	
	1910	1911	1910	1911	1910	1911	1910	1911	1910	1911
Mexico.....	\$130,023,135	\$147,451,968	\$14,267,251	\$19,753,785	\$4,219,755	\$4,546,829	\$6,141,824	\$4,423,015	\$98,432,859	\$110,700,975
Guatemala.....	110,079,219	10,981,724	11,006,263	1,324,751	5,826,554	5,851,817	1,32,748	19,233	2,730,075	3,207,156
Salvador.....	7,297,836	8,406,309	483,809	523,020	1,584,632	1,571,042	1,097,118	2,138,332	2,279,669	3,008,812
Honduras.....	2,571,916	3,024,726	50,083	43,518	1,599,900	1,07,596	3,278	2,888	2,255,011	2,603,027
Nicaragua.....	1,3,989,429	* 4,545,075	1,943,453	* 656,078	1,423,579	* 824,036	1,776,429	* 1,024,970	1,677,010	* 1,558,410
Costa Rica.....	8,464,411	9,020,150	2,989,464	3,586,939	277,841	304,134	38,396	60,706	5,097,348	4,573,473
Panama.....	1,769,330	1,754,097	165,273	156,695	83,669	122,393	1,966	3,310	1,508,422	1,471,631
Cuba.....	150,909,020	122,885,952	10,996,299	6,697,312	3,646,398	3,640,563	1,649,080	1,807,517	126,328,507	106,615,261
Dominican Republic.....	10,849,623	11,004,906	141,947	703,881	2,094,033	2,946,858	723,834	1,080,706	7,661,303	5,760,824
Haiti.....	11,008,453	15,475,331	* 940,000	* 1,200,000	* 3,250,000	* 5,400,000	* 5,000,000	* 7,500,000	* 600,000	* 1,000,000
North American Republics.....	336,962,401	334,550,191	31,483,832	33,705,909	21,578,391	25,316,288	15,364,645	17,560,977	251,579,204	241,974,119
Per cent of exports.....	100	100	9.34	10.06	6.40	7.55	4.56	5.25	74.66	72.32
Argentina.....	\$391,447,274	\$314,956,612	\$78,398,710	\$80,065,994	\$43,703,172	\$41,780,824	\$36,628,860	\$38,501,651	\$24,565,794	\$23,571,450
Bolivia.....	28,080,957	32,226,157	18,055,406	23,237,080	6,015,800	4,287,163	2,009,527	2,632,828	24,62,438	244,345
Brazil.....	310,006,438	325,271,614	72,105,293	48,920,996	35,626,014	47,212,339	26,641,738	26,739,496	110,144,357	115,865,767
Chile.....	120,021,919	123,884,417	46,396,538	53,258,282	23,142,907	26,190,771	5,237,286	5,865,179	24,680,878	19,551,632
Colombia.....	17,625,153	22,375,899	1,3,060,863	4,596,138	1,549,334	1,910,344	1,482,761	769,189	18,587,721	12,248,996
Ecuador.....	13,638,308	13,558,033	1,136,827	1,021,985	2,243,607	2,197,063	4,786,613	4,030,247	4,082,112	3,209,478
Paraguay.....	* 14,092,814	* 4,789,065	* 2,052	* 15,213	1,360,708	* 881,319	* 143,628	* 24,852	1,5,589	* 35,937
Peru.....	31,144,250	36,071,066	12,234,119	11,983,201	1,740,894	2,811,486	3,760,560	1,902,304	9,878,327	10,187,998
Uruguay.....	43,333,125	46,318,036	* 3,500,000	* 3,242,000	* 9,900,000	* 7,719,000	* 11,450,000	* 11,579,000	* 3,150,000	* 2,088,000
Venezuela.....	17,948,571	22,684,384	2,103,098	1,266,377	2,318,556	* 2,899,211	5,635,845	6,120,445	6,305,486	7,083,261
South American Republics.....	949,238,809	942,135,273	236,944,036	286,697,274	121,596,583	139,268,530	96,665,838	97,765,261	191,462,651	194,077,163
Per cent of exports.....	100	100	24.96	25.11	12.51	14.78	10.07	10.37	20.17	20.59
Total of the 20 Republics.....	\$1,286,201,210	\$1,276,685,464	\$268,427,968	\$270,333,183	\$143,173,788	\$164,583,788	\$111,020,483	\$115,326,268	\$443,041,855	\$436,051,282
Per cent of exports.....	100	100	20.87	21.17	11.13	12.88	8.63	9.03	34.46	34.15

* Estimated in part.

* Estimates.

* 1910.

* 1900.

Distribution of trade—Exports.
LATIN-AMERICAN IMPORTS FROM LEADING COMMERCIAL COUNTRIES.

	Total.		United Kingdom.		Germany.		France.		United States.	
	1910	1911	1910	1911	1910	1911	1910	1911	1910	1911
Mexico.....	\$97,432,891	\$96,006,883	\$11,125,808	\$11,190,875	\$10,134,038	\$12,120,332	\$8,178,696	\$8,279,695	\$56,421,551	\$53,578,919
Guatemala.....	1,525,317	6,514,421	1,135,420	1,314,202	1,149,559	1,592,658	1,273,215	286,050	1,218,859	2,696,144
Salvador.....	3,745,249	5,360,370	1,165,993	1,644,238	1,407,392	534,130	262,294	383,991	1,346,597	1,924,052
Honduras.....	3,019,416	3,960,939	424,077	500,029	284,367	300,685	101,710	97,771	2,069,522	2,531,383
Nicaragua.....	12,583,257	2,896,306	625,668	664,252	286,408	358,519	131,936	156,645	1,341,662	1,581,457
Costa Rica.....	7,962,657	8,967,861	1,291,006	1,553,119	954,072	1,704,746	314,416	443,994	3,094,391	4,153,153
Panama.....	10,056,994	10,020,070	2,166,989	2,238,716	946,151	1,022,748	307,962	376,781	5,652,653	5,384,196
Cuba.....	103,675,561	113,433,135	12,292,219	12,758,709	6,542,760	7,206,974	5,514,939	5,536,860	54,569,383	57,128,344
Dominican Republic.....	6,257,691	6,949,662	715,400	775,602	108,241	1,266,219	210,260	213,455	3,738,025	4,120,483
Haiti.....	7,682,000	7,918,117	301,770	898,517	398,848	439,732	805,924	331,849	5,702,065	5,790,203
North American Republics.....	247,687,053	261,647,463	31,244,350	33,526,439	21,331,856	26,549,773	16,101,271	16,119,091	136,108,748	136,881,644
Per cent of imports.....	100.00	100.00	12.61	12.77	8.61	10.16	6.50	6.17	54.91	53.16
Argentina.....	\$341,217,536	\$355,805,365	\$106,090,072	\$105,378,307	\$99,295,021	\$63,896,345	\$32,641,121	\$36,885,738	\$46,966,325	\$40,782,788
Bolivia.....	18,135,000	22,764,949	6,361,900	4,863,318	3,304,300	4,021,264	422,265	1,04,391	2,145,506	3,947,200
Brazil.....	235,574,837	257,762,557	63,541,773	74,695,592	36,774,520	43,180,850	21,863,439	22,744,539	29,703,547	34,827,787
Chile.....	108,862,279	127,381,479	34,940,373	40,865,052	26,296,071	32,696,171	7,010,929	6,381,714	13,369,774	18,770,969
Colombia.....	17,025,637	18,108,863	5,100,000	5,838,790	2,600,000	3,242,635	1,718,745	1,718,745	5,100,000	5,404,976
Ecuador.....	9,090,262	8,007,029	3,632,570	2,465,569	1,626,576	1,570,903	565,943	528,534	2,446,574	2,446,574
Paraguay.....	3,635,866	6,232,451	1,244,533	2,625,490	733,082	1,111,714	234,866	288,342	7,580,981	7,580,981
Peru.....	22,908,021	30,864,946	6,158,469	6,358,383	3,842,864	4,698,666	2,501,492	4,407,115	4,484,215	6,040,865
Uruguay.....	12,796,706	17,687,115	1,400,000	1,150,000	6,800,000	7,621,000	4,500,000	4,800,000	5,329,000	5,329,000
Venezuela.....	12,367,552	16,394,860	3,625,681	5,253,863	2,039,287	3,195,945	966,906	1,857,564	3,788,589	5,219,535
South American Republics.....	810,973,196	863,131,174	244,221,791	261,424,395	143,311,711	165,125,372	72,326,413	78,265,094	112,691,922	120,588,925
Per cent of imports.....	100.00	100.00	30.11	29.27	17.67	18.48	8.91	8.76	13.89	14.50
Total of the 20 Republics.....	\$1,038,680,249	\$1,154,778,637	\$275,696,141	\$294,950,895	\$164,643,567	\$191,675,145	\$88,427,684	\$94,384,095	\$248,800,570	\$268,469,960
Per cent of imports.....	100.00	100.00	26.02	25.54	15.35	16.59	8.35	8.17	23.50	23.25

* Estimated in part.

* Estimates.

* 1910.

* 1909.

In total of values the United States leads in the foreign commerce, imports and exports together, of Latin America.

All Latin America, 1911.

	Total.	United States.	United Kingdom.	Germany.	France.
Volume.....	\$2,431,464,101	\$704,521,251	\$565,284,018	\$356,258,933	\$209,710,363
Per cent of whole.....	100.00	28.98	23.24	14.65	8.63

Of the 10 North American Republics—Mexico, Guatemala, Salvador, Honduras, Nicaragua, Costa Rica, Panama, Cuba, the Dominican Republic, and Haiti—the United States takes nearly three-fourths of their exports and furnishes more than half of their imports.

North America, 1911.

	Total.	United States.	United Kingdom.	Germany.	France.
Exports.....	\$334,550,191	\$241,974,119	\$33,705,909	\$23,315,288	\$17,580,977
Per cent of whole.....	100.00	72.32	10.08	7.55	5.25
Imports.....	\$261,647,463	\$138,881,644	\$33,526,439	\$25,549,773	\$16,119,091
Per cent of whole.....	100.00	53.16	12.77	10.16	6.17

Of the 10 South American Republics—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela—the United States takes more than one-fifth of their exports and supplies about one-seventh of their imports.

South America, 1911.

	Total.	United States.	United Kingdom.	Germany.	France.
Exports.....	\$642,135,273	\$194,077,163	\$237,625,274	\$139,268,530	\$97,765,291
Per cent of whole.....	100.00	20.59	25.11	14.78	16.37
Imports.....	\$863,131,174	\$129,588,325	\$261,424,366	\$165,126,372	\$78,268,004
Per cent of whole.....	100.00	14.50	29.27	18.48	8.76

While the United States leads in the total commerce of Latin America as a whole, and in the commerce of the North American Republics, in both imports and exports, controls a trade greater than the combined trade of its three nearest rivals, the United Kingdom, Germany, and France, and in South America is second in exports and third in imports, yet as a matter of fact it is questionable whether in the import trade of Latin America the United States, with its \$268,470,000 in values, receives as much commercial advantage therefrom as does Germany with its \$191,675,000, or France with its \$94,384,000. The reason for this doubt exists in the character and kind of the imports from the United States as compared with the imports from Europe.

The Latin-American imports, and particularly South American imports from the United States, are for the greater part such as in ordinary parlance are denominated "raw," "unmanufactured," or "slightly manufactured," while the imports from the United Kingdom, Germany, and France are almost entirely manufactures of a high degree. In other words, in imports from the United States the greater part (in some cases nearly all) of the value of the articles is represented in the raw material and less than one-half in the labor, skill, and industry entering into their manufacture. The converse is true of the imports from the three European countries mentioned. Therefore, it can readily be seen that the \$94,384,000 of imports from France may represent a greater return to French labor, skill, and industry and be of more benefit to French commerce than the \$268,470,000 of imports from the United States be of benefit to that country.

In illustration of this point the case of Chile may be taken as an example. In round numbers Chilean imports from the United Kingdom in 1911 were \$40,800,000, from Germany \$32,700,000, from France \$6,900,000, and from the United States \$15,800,000.

The value of what was classified as mineral products was over \$25,000,000, of which Germany furnished \$9,690,000, the United Kingdom \$7,462,000, the United States \$3,980,000, and France \$2,648,000. Steel and iron in bars, sheets and plates, ingots, nails, piping, wire, and steel rails accounted for nearly \$3,000,000 of the imports from the United States, which country was but little or not at all represented in

cutlery, household and kitchen utensils, tools, gas, electric-light, and water meters, wagon and carriage tires, saddlers' hardware, pipe fittings, axles, wire cable, carriages, furniture and car springs, bolts, nuts, screws, and, in fact, all classes of highly wrought iron and steel goods.

The value of what are classified as vegetable products was over \$13,000,000, of which Germany furnished \$2,757,000, the United States \$2,067,000, the United Kingdom \$1,674,000, and France \$412,851.

Cottonseed oil, rosin, staves, and rough pine lumber accounted for \$1,686,300 of the imports from the United States.

The value of what was classified as textiles and manufactures thereof was \$28,711,000, of which the United States furnished only \$796,211. Of this amount cotton bagging, rope, twine, thread, flannel, and gray shirting accounted for \$690,000. In linen, wool, and silk it is scarcely represented. In ready-made clothing of all kinds and high-class textiles of all materials the imports from the United States were of a negligible amount.

The value of what was classified as combustibles, oils, and paints was \$18,994,043, of which the United Kingdom furnished \$9,141,060, Germany \$1,395,395, the United States \$2,714,505. Coal oil, most of it unrefined, accounted for \$2,320,305. In addition there was some trade in turpentine, lubricating oil, a little coal, and some paraffin. In the cheaper kinds of prepared paints the United States makes a showing.

The value of paper, cardboard, and manufactures thereof was \$4,052,960, of which Germany furnished \$1,996,185, the United States, \$1,086,240, the United Kingdom \$453,330. News print paper accounted for \$736,351 of the imports from the United States. There were some printed books and bank checks, bonds, etc., but for the most part the United States was practically unrepresented in high-class paper manufactures.

The value of what was classified as pharmaceutical and chemical products and perfumery was \$2,735,638, of which Germany furnished \$1,036,016, the United Kingdom \$677,330, France \$400,843, and the United States \$297,000.

The value of what was classified as machinery, implements, and tools was \$15,523,267 of which the United Kingdom furnished \$5,847,592, Germany \$5,162,268, and the United States \$3,603,645. Agricultural machinery and implements, with some sewing machines, scales and balances, adding machines, and pianolas, make up the bulk of the imports from the United States.

The value of what was classified as arms, ammunition, and explosives was \$1,472,227, of which the United States furnished over \$294,737, nearly two-thirds of this being dynamite.

It must not be understood that in their class the imports from the United States were of a lower or cheaper grade than those from other countries; quite the contrary is true. In their class they were as a rule the highest in grade. This is particularly true of leather, steel, and iron goods of all kinds. The difficulty is that the class is as a rule low, in other words, imports of the kind approaching raw material.

In this connection a distinction must be drawn between the South American Republics and the North American Republics in a comparison of the character of their imports from the United States and from Europe. In the North American Republics the imports from the United States, as compared with those from Europe, are of a decidedly higher character. In Cuba and Mexico, particularly, very many of these imports are almost on a par with the imports from the United Kingdom and Germany, and this higher character in imports extends in a diminishing degree more or less into the northern Republics of South America—Colombia, Venezuela, and Ecuador. For example, in Chile nearly 15 per cent of the total imports are from the United States, yet in textiles and manufactures the United States furnishes less than 3 per cent, and this 3 per cent is made up almost entirely of cotton bagging, rope, twine, thread, and low-grade cotton cloths.

In Cuba the United States furnishes a little over 50 per cent of the total imports, and in textiles and manufactures about one-sixth of the imports of this class of goods. In cotton, in plain weaves it furnishes \$582,500 out of a total of \$2,362,000; in twills \$283,000 out of a total of \$995,700; in knitted tissues \$76,200 out of a total of \$1,615,300; and in ready-made clothing \$92,300 out of a total of \$254,000. It is fairly well represented in passementerie, piques, cotton velvet, and the like. In wool it furnishes \$28,300 out of a total of \$55,135 in ready-made clothing. In other woollen manufactures it is but little represented. In silk it furnishes \$27,600 out of \$113,600 in plain silk tissues. It furnishes nearly \$50,000 out of \$106,700 of ready-made clothing. In other silk manufactures it is fairly well represented. In other fibers—linen, hemp, etc.—it is not very well represented. The same comparisons would hold good of most other manufactures, that in Cuba and in other North American Republics the imports from the United States are of a decidedly higher grade than the like imports of the South American Republics.

Latin American foreign trade in 1912—A general survey.

[Reprinted from the March, 1914, issue of the Bulletin of the Pan American Union.]

Countries.	Imports.			Exports.			Total foreign trade.		
	1911	1912	Increase.	1911	1912	Increase.	1911	1912	Increase.
Mexico.....	\$102,937,136	\$91,331,155	\$11,605,981	\$146,876,819	\$148,994,564	\$2,117,745	\$249,813,955	\$240,325,719	\$9,488,236
Guatemala.....	8,166,670	9,822,462	1,655,792	11,003,835	13,156,537	2,152,702	19,172,506	22,978,999	3,806,494
Salvador.....	5,113,518	6,317,859	1,204,341	3,436,861	3,942,184	505,323	16,717,043	16,717,043	0
Honduras.....	3,560,839	4,317,314	756,475	3,029,726	3,080,176	55,452	6,586,665	7,397,492	811,827
Nicaragua.....	5,724,695	4,966,830	757,875	6,216,961	3,411,208	2,805,753	11,941,556	8,378,028	3,563,528
Costa Rica.....	9,967,581	10,187,686	220,105	9,020,149	10,071,144	1,050,995	17,987,710	20,248,830	2,261,120
Panama.....	9,896,988	9,571,617	325,371	2,863,425	2,064,648	798,777	12,760,413	11,936,265	824,148
Cuba.....	113,266,997	125,902,241	12,635,244	123,136,379	172,978,328	49,841,949	236,403,376	298,890,569	62,487,193
Dominican Republic.....	6,949,662	8,217,898	1,268,236	10,995,546	12,383,248	1,387,702	17,945,208	20,603,146	2,657,938
Haiti.....	7,948,117	9,576,555	1,628,438	18,555,660	17,285,483	1,270,175	26,501,777	27,162,040	660,263
North American Republics.....	272,532,283	281,268,607	8,736,324	341,131,961	383,369,524	52,237,563	613,664,244	674,638,131	60,973,887
Argentina Republic.....	355,806,365	373,307,965	17,501,500	314,956,612	465,979,518	151,022,906	670,762,977	839,287,383	168,524,406
Bolivia.....	22,704,849	19,306,506	\$3,456,343	32,226,157	35,147,965	2,921,808	54,901,006	64,456,471	9,555,465
Brazil.....	257,164,128	308,243,796	51,079,668	325,271,614	362,794,846	37,523,232	582,435,742	671,038,582	88,602,840
Chile.....	127,381,479	122,075,994	\$5,305,485	123,884,417	139,878,201	15,993,784	251,265,896	261,954,195	10,688,299
Colombia.....	18,108,863	23,964,623	5,855,760	22,375,899	32,221,746	9,845,847	40,494,762	56,186,369	15,701,607
Ecuador.....	\$ 8,007,629	\$11,489,104	3,481,475	\$13,638,398	\$12,662,237	\$946,071	\$24,181,341	\$24,181,341	\$0
Paraguay.....	6,310,054	5,124,436	\$1,185,616	4,703,358	4,084,621	\$618,737	\$11,013,412	\$9,209,059	\$1,804,353
Peru.....	26,429,875	25,066,354	\$1,363,521	36,041,895	45,871,504	9,829,609	62,471,770	70,937,858	8,466,088
Uruguay.....	46,590,102	51,555,200	4,965,098	46,318,035	53,040,000	6,721,965	92,906,137	104,395,200	11,489,063
Venezuela.....	18,394,889	20,568,839	2,174,050	22,664,384	25,290,908	2,626,524	41,079,273	45,829,847	4,750,574
South American Republics.....	896,958,233	960,504,759	73,546,526	942,100,679	1,176,971,546	234,870,867	1,829,058,912	2,137,476,305	308,417,393
Total Latin America.....	1,159,490,516	1,241,773,366	82,282,850	1,283,232,640	1,570,341,070	287,108,430	2,442,723,156	2,812,114,436	369,391,280

¹ Fiscal year ending Sept. 30, 1912.

* 1910.

* 1911.

* Decrease.

The foreign commerce of the 20 Latin-American countries for the year 1912, customs-house valuations, was \$2,812,114,436, of which amount \$1,241,773,366 represented imports and \$1,570,341,070 exports. For the preceding year the figures (revised and corrected) are: Imports, \$1,159,490,516; exports, \$1,283,232,640; total, \$2,442,723,156. The increase in imports for the year was \$82,282,850, and in exports \$287,108,430, or an increase in the total trade of \$369,391,280.

The population of these 20 Republics, from the most reliable sources of information—estimates in many cases, and in these cases probably overestimates—amounts to about 74,373,000. On this basis the foreign commerce of Latin America for 1912 was \$37.81 per capita—imports \$16.69 and exports \$21.12.

The foreign commerce of the United States for the same year was: Imports, \$1,818,133,355; exports, \$2,399,217,993; total \$4,217,351,348, which, on the basis of the population estimate of 95,410,503 made by the Census Bureau for 1912, shows per capita of imports of \$19.05 and of exports of \$25.15, or a total of \$44.20. The per capita of Latin-American foreign trade was more than 85 per cent of the per capita of the United States trade. In other words, Latin Americans per individual bought within \$2.36 and sold within \$4.03 as much to outsiders as the people of the United States per individual bought and sold to outsiders. The per capita of Latin-American foreign trade is many times over the per capita trade of such countries as British India, Japan, and China, and exceeds that of Austria-Hungary, Russia, Italy, Spain, Portugal, Roumania, Bulgaria, Servia, Greece, and Turkey.

The per capita trade of a number of the Latin-American countries exceeded the like trade of the United States and of the leading western European countries. For example, the per capita of Cuban commerce—imports, \$58.24; exports, \$80.02; total, \$138.26—exceeds that of any of the countries last mentioned and is over three times as great as that of the United States. The Argentine per capita of \$120.08 (imports, \$53.41; exports, \$66.67), the Uruguayan per capita of \$100.12 (imports, \$49.25; exports, \$50.87), and the Chilean of \$74.83 (imports, \$34.87; exports, \$39.96), all show averages either above or comparable with those of the leading commercial countries of the world.

In this connection it must be taken into account that the basis of customhouse valuations of imports in nearly all the Latin-American countries, and in particular in such countries as Argentina, Uruguay, and Chile, represents, as compared with the United States, France, Germany, England, and other like commercial countries, a gross understatement of true values. This is due to valuations based on fixed appraisements and limited classifications as opposed to the more accurate valuations made under the tariff systems in operation in the United States and Europe. It is safe to say that to the Argentine customhouse valuations of imports at least 30 per cent must be added. In some classes of goods 100 or even 200 per cent additional must be added in order to arrive at anything like real values.

If these adjustments were made, the per capita of imports in the Latin-American countries would be increased very considerably, making comparisons with other countries much more favorable to Latin America.

TRADE BALANCES.

The following table gives the trade balances of the Latin-American countries for the years 1910, 1911, and 1912. Plus (+) means excess of exports over imports and minus (-) excess of imports over exports:

Countries.	Trade balance.		
	1910	1911	1912
Mexico.....	+ \$32,000,244	+ \$43,639,683	+ \$57,663,409
Guatemala.....	+ 14,827,902	+ 2,838,165	+ 3,834,076
Salvador.....	+ 3,559,587	+ 4,325,043	+ 3,167,326
Honduras.....	+ 24,091	+ 536,213	+ 1,237,136
Nicaragua.....	+ 11,408,171	+ 492,105	+ 1,555,612
Costa Rica.....	+ 81,754	+ 59,686	+ 116,543
Panama.....	+ 8,387,664	+ 7,083,563	+ 7,808,989
Cuba.....	+ 47,233,439	+ 9,800,382	+ 47,076,087
Dominican Republic.....	+ 4,561,932	+ 4,045,894	+ 4,167,350
Haiti.....	+ 3,326,488	+ 10,006,843	+ 7,466,999
North American Republics.....	+ 89,598,757	+ 68,699,678	+ 112,100,917
Argentina.....	+ 20,229,783	+ 40,849,783	+ 92,671,653
Bolivia.....	+ 10,946,967	+ 9,461,308	+ 15,993,499
Brazil.....	+ 74,431,601	+ 68,107,486	+ 54,551,110
Chile.....	+ 11,439,640	+ 3,497,062	+ 17,802,207
Colombia.....	+ 599,516	+ 4,267,086	+ 8,257,123
Ecuador.....	+ 4,548,046	+ 8,630,678	+ 1,203,188
Paraguay.....	+ 1,337,448	+ 1,606,606	+ 1,039,817
Peru.....	+ 8,636,229	+ 9,612,020	+ 20,805,180
Uruguay.....	+ 536,419	+ 272,067	+ 1,664,800
Venezuela.....	+ 5,561,019	+ 4,289,495	+ 4,901,998
South American Republics.....	+ 138,265,613	+ 55,142,445	+ 216,466,796
Total Latin America.....	+ 227,864,370	+ 123,742,123	+ 328,567,708
1909.	1910.	1911.	

The remarkable increase in the foreign trade of Latin America in 1912 as compared with the preceding year, amounting to 15 per cent, was more or less unexpected and represents an increase above the average increase which has been more or less constant.

The following table shows the increase in Latin-American trade for 15 years:

	Imports.	Exports.	Total.
1912.....	\$1,241,773,366	\$1,579,341,070	\$2,812,114,436
1897.....	415,079,562	496,342,937	910,422,499
Increase.....	826,693,804	1,074,342,937	1,901,036,741
Per cent of increase, 15 years.....	199	217	208
Average yearly per cent of increase.....	13.3	14.5	13.9

IMPORTS.

Latin American imports are in general of the same character in all of the countries. In most of the countries there are but few manufactures, and none of them from the European or North American standpoint would be considered manufacturing countries. Even in Brazil, Argentina, Mexico, and Chile, where enterprise has accomplished more than elsewhere, the lines of manufacture are very few and generally the output small as compared with the imports of like articles. In a very limited number of cases high protective duties give a monopoly to domestic manufactures. Refined sugar is an example of this monopoly in several states; low-grade cotton goods in Brazil are also included in this class. But, generally speaking, tariff duties are revenue duties and not intended to discourage importations.

The demand for finished manufactured goods is great in all of the countries, and this demand includes practically every line of European or North American manufacture. In other words, whatever is salable in New York, London, or Paris is also salable in Rio, Buenos Aires, Montevideo, Santiago, Lima, Mexico, Habana, and other Latin American cities.

EXPORTS.

On the contrary, Latin-American exports, while in general falling in one class—that is, raw materials for use in manufacturing, metals, and primary food products—yet owing to the great differences of soil, climate, rainfall, and other natural conditions, proximity or remoteness to markets and development of transportation systems are widely differentiated in the several countries.

The greatest development of mineral wealth and the largest proportionate export of minerals are in such countries as Mexico, Colombia, Peru, Bolivia, and Chile. But there is a wide difference in the character of mining and in the class of minerals exploited in these countries. Gold is produced, but in no very great quantities, in many of the countries; but only in Mexico and Colombia does the production of gold attain to figures of world importance. Silver is produced in many countries, but only in Mexico to a considerable amount. The rarer metals, platinum, vanadium, and the like, are found, often in good-paying quantities, all through the Andean country from Colombia to Chile. Chile, Peru, and Bolivia are the principal producers of copper; Cuba of iron ore, although the great deposits of Chile and of Brazil will undoubtedly soon come into the market. Mexico and Peru are at present the principal sources of the Latin American supply of crude oils, but the known fields of Colombia, Venezuela, and Ecuador will no doubt soon be developed. Bolivia is the great source of Latin American output of tin and bismuth.

The exportation of forest products, outside of rubber, ivory nuts, and quebracho, has not attained in any country the importance that it is destined to attain in nearly all of them.

Rubber as a forest product has been or is exported from all of the Latin American countries except those of the southern third of South America—that is, excepting those within the Temperate Zone.

The export of woods, particularly fine cabinet woods, can scarcely be said to have made a beginning in any of the countries. Its principal development has been in the countries bordering on the Caribbean.

The great possibilities of the animal industries in nearly, if not all, of the Latin American countries as a basis of an export trade have been taken advantage of in comparatively few countries. Outside of Argentina (where progress in this line has been marvelous), Chile, Uruguay, and southern Brazil, animal industries are limited to supplying home needs and the exportation of by-products—hides, hoofs, etc. The great possibilities of western Brazil, Bolivia, Peru, Ecuador, Colombia, and Venezuela as meat-exporting countries await development in the future, and even Argentina, Uruguay, and Chile have possibilities for exportation of animal products in quantities vastly beyond the present export.

Coffee is an export of all of the countries bordering on the Caribbean, and in addition Ecuador, Peru, and Brazil—Brazil, of course, being the principal source of the world's supply of coffee.

Cacao is produced in general in all of the countries producing coffee, though not in the same localities.

The export of grain, wheat, oats, linseed, Indian corn, flour, bran, and hay is almost the monopoly of Argentina, although Chile exports some small quantities of these farm products and in addition beans and fruits. Outside of the countries named most Latin American countries are importers of wheat and flour. This condition will exist for some time to come.

Sugar.—Cuba is the principal sugar country, its production being far in excess of all the rest of America. But the Dominican Republic, Haiti, and Peru are also exporters.

Distribution of trade—Imports.

LATIN-AMERICAN IMPORTS FROM LEADING COMMERCIAL COUNTRIES.

Countries.	Total from all countries.		United Kingdom.		Germany.		France.		United States.	
	1911	1912	1911	1912	1911	1912	1911	1912	1911	1912
Mexico.....	\$102,937,136	\$91,331,155	\$11,984,485	\$10,753,154	\$12,781,065	\$11,922,60 ¹⁾	\$9,336,642	\$7,809,138	\$56,573,492	\$49,212,836
Guatemala.....	8,166,670	9,822,462	1,642,752	1,739,598	1,980,822	2,250,862	357,562	387,882	3,370,170	4,532,361
Salvador.....	5,113,518	6,774,859	1,543,828	1,904,546	1,533,127	2,064,671	386,026	436,252	1,815,061	2,627,700
Honduras.....	3,560,939	4,317,314	500,029	546,473	300,685	487,061	97,771	190,382	2,891,838	3,891,838
Nicaragua.....	5,724,665	4,966,820	1,412,296	939,290	642,753	604,038	448,264	286,255	2,524,133	2,549,026
Costa Rica.....	8,967,561	10,187,686	1,553,119	1,391,003	1,704,746	1,503,941	443,994	424,189	2,754,940	2,549,026
Panama.....	9,896,988	9,871,617	2,273,386	2,421,637	1,119,224	957,801	387,964	680,784	4,153,153	5,865,908
Cuba.....	113,296,987	125,902,241	13,698,060	15,397,649	7,234,657	8,431,201	6,203,125	7,706,064	6,122,950	5,413,305
Dominican Republic.....	6,949,662	8,217,868	775,802	720,242	1,266,249	1,628,286	213,455	224,912	60,015,005	65,415,475
Haiti.....	7,948,117	9,876,555	886,517	761,206	439,732	484,915	331,849	1,050,416	5,790,203	5,100,001
North American Republics.....	272,532,283	281,268,907	36,272,274	36,574,798	28,013,090	28,986,304	18,206,642	19,176,274	146,239,580	150,911,984
Per cent of imports.....	100.00	100.00	13.31	13.00	10.27	10.28	6.67	6.81	53.65	53.65
Argentina.....	\$355,806,365	\$373,307,865	\$105,378,307	\$115,109,149	\$63,886,345	\$62,023,257	\$36,885,758	\$36,490,020	\$50,782,788	\$57,353,142
Bolivia.....	22,764,849	19,306,506	4,863,318	3,537,112	4,021,264	6,440,316	1,104,391	949,885	3,847,200	1,791,911
Brazil.....	257,164,128	308,243,736	74,665,592	77,615,548	43,180,830	53,018,070	22,744,839	27,731,094	34,300,327	48,108,316
Chile.....	127,381,479	122,075,994	40,805,052	38,616,896	32,696,171	33,189,070	6,831,714	7,261,061	15,775,969	16,806,341
Colombia.....	18,108,863	23,964,623	5,838,789	7,838,878	3,242,634	4,201,125	1,718,747	2,011,896	5,404,975	7,612,037
Ecuador.....	18,007,629	11,489,104	2,455,599	2,814,473	1,570,903	2,381,573	1,525,534	1,714,428	1,249,674	2,588,168
Paraguay.....	6,310,054	5,124,438	1,802,094	1,460,000	1,770,406	1,400,000	342,707	286,000	2,379,397	3,312,000
Peru.....	26,429,875	25,066,354	8,358,383	8,000,000	4,598,565	4,300,000	1,407,114	1,300,000	6,069,863	5,700,000
Uruguay.....	46,590,102	51,335,200	12,646,379	13,800,000	7,894,644	8,700,000	3,952,473	4,300,000	5,671,318	6,200,000
Venezuela.....	18,394,889	20,568,939	5,253,865	4,284,868	3,185,945	3,199,389	1,857,564	2,616,400	5,219,558	6,832,438
South American Republics.....	886,958,223	960,504,759	262,096,378	273,106,932	166,037,707	178,852,869	77,470,841	83,660,772	126,701,069	153,305,353
Per cent of imports.....	100.00	100.00	29.55	28.43	18.73	18.73	8.74	8.71	14.62	15.66
Total of the 20 Republics.....	\$1,159,490,516	\$1,241,773,366	\$298,371,652	\$306,681,720	\$194,070,797	\$207,789,113	\$98,677,483	\$102,837,046	\$275,940,649	\$304,217,287
Per cent of imports.....	100.00	100.00	25.73	24.93	16.73	16.73	8.25	8.28	23.79	24.49

1 1910. * Estimates. † Estimated in part.

Distribution of trade—Exports.

LATIN-AMERICAN EXPORTS TO LEADING COMMERCIAL COUNTRIES.

	Total to all countries.		United Kingdom.		Germany.		France.		United States.	
	1911	1912	1911	1912	1911	1912	1911	1912	1911	1912
Mexico.....	\$146,876,819	\$148,994,564	\$17,941,176	\$20,099,328	\$4,354,171	\$5,158,365	\$4,054,899	\$4,164,911	\$113,167,055	\$112,729,856
Guatemala.....	11,005,835	13,156,537	1,324,751	1,435,498	5,851,617	6,975,008	2,172,193	2,153,850	3,287,156	3,863,829
Salvador.....	9,436,561	9,942,184	566,710	445,466	1,069,223	2,294,640	2,270,830	1,510,492	3,090,081	2,965,794
Honduras.....	3,024,728	3,060,178	43,518	20,051	1,107,544	128,756	2,858	1,817	2,693,027	2,722,039
Nicaragua.....	6,216,861	3,411,208	328,100	514,774	1,074,796	701,631	2,619,240	638,098	1,738,481	1,328,422
Costa Rica.....	9,020,149	10,071,144	2,585,950	4,186,095	364,134	549,666	60,906	131,698	4,973,473	6,025,694
Panama.....	2,863,426	2,064,646	126,170	73,714	157,301	202,153	4,532	7,993	2,576,816	1,776,660
Cuba.....	123,136,379	172,978,328	5,997,314	11,446,896	3,641,558	6,199,172	1,307,617	2,374,735	104,993,343	145,185,988
Dominican Republic.....	10,985,646	12,385,248	763,831	1,242,980	2,946,656	1,774,049	1,080,706	832,212	6,731,464	7,274,686
Haiti.....	18,553,660	17,285,486	1,260,000	1,360,000	5,400,000	6,100,000	7,560,000	8,600,000	1,000,000	1,100,000
North American Republics.....	341,131,961	393,369,594	31,761,559	40,798,173	25,569,399	30,093,447	19,522,402	18,451,765	245,104,995	238,965,993
Per cent of exports.....	100.00	100.00	\$ 31	10.37	7.18	7.65	5.72	4.66	71.85	72.18
Argentina.....	\$314,956,612	\$465,979,518	\$99,085,994	\$117,732,157	\$41,780,524	\$52,375,319	\$38,501,651	\$34,970,446	\$26,571,450	\$31,119,413
Bolivia.....	32,226,157	35,147,935	23,237,089	28,112,028	4,267,163	4,368,801	2,632,826	2,153,850	115,854,767	141,152,976
Brazil.....	326,271,614	362,794,846	46,280,946	43,043,547	47,212,539	51,928,186	26,730,496	35,514,940	115,854,767	141,152,976
Chile.....	123,894,417	139,878,201	53,238,252	59,022,050	26,199,771	23,090,685	5,853,179	7,668,570	19,351,533	24,514,565
Colombia.....	12,375,899	32,221,746	4,396,137	4,370,133	1,910,353	1,854,211	4,700,169	636,196	12,446,945	15,852,852
Ecuador.....	12,638,308	12,692,237	1,136,527	1,994,531	1,263,697	2,136,066	14,785,613	14,062,135	14,062,135	15,165,808
Paraguay.....	4,703,358	4,094,621	12,017,924	14,270,000	284,948	890,000	72,694	61,000	10,187,997	12,900,000
Peru.....	36,041,883	45,871,694	12,017,924	14,270,000	284,948	890,000	72,694	61,000	10,187,997	12,900,000
Uruguay.....	46,318,085	53,040,000	13,242,000	6,540,892	7,719,000	7,906,852	11,579,000	8,601,137	2,068,000	2,670,779
Venezuela.....	22,664,384	25,260,908	1,236,377	1,065,351	4,269,241	3,942,708	6,130,445	6,822,968	7,068,261	9,907,604
South American Republics.....	942,100,679	1,176,971,546	236,772,421	269,295,633	139,392,961	156,872,006	97,968,561	103,528,420	194,918,590	242,502,912
Per cent of exports.....	100.00	100.00	35.13	14.79	14.79	13.81	10.39	8.71	20.68	20.60
Total of the 20 Republics.....	\$1,263,232,640	\$1,570,341,070	\$363,483,980	\$410,021,806	\$164,902,380	\$186,965,433	\$117,490,933	\$121,980,135	\$440,023,456	\$526,468,515
Per cent of exports.....	100.00	100.00	28.92	19.74	12.85	11.90	9.15	7.76	34.28	33.52

1910.

1911.

Estimates.

Estimated in part.

DISTRIBUTION OF TRADE.

Four countries lead in Latin-American trade—the United States, the United Kingdom, Germany, and France—and, generally speaking, these four countries are rivals in the same class of trade, both imports and exports. They together control about three-fourths of the total. In the field of Latin-American exports his rivalry is real and active and extends over the whole range of products, except to Argentine meat and grain exports. In imports the case is somewhat different, since the United States in fully half the classes has scarcely, if at all, entered the field in competition with the three European countries named. In a few classes, such as mineral oils, bread-stuffs, and lumber, it enjoys practically a monopoly, or shares this monopoly with other American countries.

The following table shows the proportionate share of the four countries mentioned in Latin-American trade. Taken as a whole, exports and imports together, it will be seen that the United States occupies the first rank.

Total trade—All Latin America, 1912.

	Total.	United States.	United Kingdom.	Germany.	France.
Value.....	\$2,812,114,496	\$820,668,102	\$619,708,536	\$304,764,566	\$224,837,231
Per cent of whole.....	100.00	29.54	22.02	11.04	7.99

In Latin-American imports alone, the United Kingdom leads by a small margin, as shown in this table:

Imports—All Latin America, 1912.

	Total.	United States.	United Kingdom.	Germany.	France.
Volume.....	\$1,241,773,366	\$304,217,287	\$309,681,730	\$207,789,113	\$102,837,046
Per cent of whole.....	100.00	24.49	24.93	16.73	8.28

In Latin-American exports the lead of the United States is quite pronounced.

Exports—All Latin America, 1912.

	Total.	United States.	United Kingdom.	Germany.	France.
Volume.....	\$1,570,241,070	\$526,468,815	\$310,021,806	\$196,065,453	\$124,960,185
Per cent of whole.....	100.00	33.52	19.74	12.50	7.96

As regards the position of the United States in Latin-American trade, as compared with that of the United Kingdom, Germany, and France, a line drawn at the Isthmus of Panama shows a rather startling contrast in American activities north of this line and south of this line.

In the 10 North American Republics—Mexico, Guatemala, Salvador, Honduras, Nicaragua, Costa Rica, Panama, Cuba, Dominican Republic, and Haiti—the United States takes nearly three-fourths of their exports and supplies more than one-half of their imports.

North America, 1912.

	Total.	United States.	United Kingdom.	Germany.	France.
Imports.....	\$281,268,607	\$150,911,934	\$36,574,798	\$28,936,304	\$19,176,274
Per cent of whole.....	100.00	53.65	13.00	10.28	6.81
Exports.....	\$398,366,524	\$283,965,903	\$40,793,173	\$30,096,447	\$18,451,765
Per cent of whole.....	100.00	72.18	10.37	7.65	4.69

In the 10 South American Republics—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela—the United States takes only about one-fifth of their exports and supplies less than one-sixth of their imports.

South America, 1912.

	Total.	United States.	United Kingdom.	Germany.	France.
Imports.....	\$960,504,759	\$153,305,353	\$273,106,932	\$178,852,809	\$83,660,772
Per cent of whole.....	100.00	15.96	28.43	18.62	8.71
Exports.....	\$1,176,971,546	\$242,502,912	\$269,228,633	\$156,872,006	\$103,528,420
Per cent of whole.....	100.00	20.60	22.02	13.31	8.71

[House Report No. 4136, Fifty-eighth Congress, third session.]

The Committee on the Merchant Marine and Fisheries have had under consideration the bill (H. R. 17098) to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage, and report the same back without amendment and recommend its passage.

While the condition of our merchant marine is well known to a great majority of the people of the United States, it is nevertheless well to state very briefly that the enormous commerce of the United States with foreign countries is carried on chiefly and almost entirely by foreign ships, under foreign register, manned by foreign sailors, and that the enormous freights paid by the producers of the United States, amounting to somewhere in the neighborhood of \$200,000,000 per annum, go for the benefit of foreign labor and foreign capital.

We are practically driven off the seas, and the humiliation is as great, if not greater, to the proud American than though we had been driven off by the battleships of an enemy, for in the one case we should have succumbed only after American valor had been thoroughly tested, and in the other case we have been driven off the seas by our own inadequate conception of the situation and a stolid indifference until recently among the people of the country.

We have been vigilant to aid our foreign competitors. We have been active to give them every possible opportunity. We have left undone nothing that will promote their prosperity and develop their resources. The more successfully those competitors have encroached upon us and the more bitter has been their competition, the more lavish we have been in our expenditures to aid and upbuild that competition.

We have spent millions upon millions of dollars to prepare our harbors on the seacoast for the easy and safe accommodation of our rivals' commerce. We have spent scores of millions of dollars to deepen and perfect our waterways leading into our maritime States, to the end that foreign commerce in foreign ships might have safe and easy ingress and egress. We have lighted and buoyed the harbors. We have left nothing undone to make the approach of foreign ships to our coast safe and to cheapen their expenditures. To-day a bill involving more than \$50,000,000 for river and harbor improvements is pending before this House and will doubtless be passed into law. Every dollar of that amount is a subsidy to commerce.

We have subsidized the commerce of the Great Lakes until that which many years ago was small and unimportant by comparison is to-day a mighty volume of trade and commerce. Every dollar of money expended from the head of the Great Lakes to Buffalo is subsidy to the transportation facilities of that mighty section, and every dollar of it goes directly to the benefit of foreign traders, foreign shipowners, foreign shipbuilders, foreign laborers, and foreign merchants. Every time we add 1 foot to the water capacity of New York Harbor, or any other of the great seaport harbors, that cheapens the cost and promotes the facility of our rivals in the carrying trade. "Rivals" is it said? Scarcely rivals; triumphant enemies, triumphing over the disaster that has come to American enterprise and rejoicing in the utter inability of the American people to wisely expend their own money.

The expenditures under the river and harbor appropriation of this year would pay all of the Government's outlay contemplated by this bill to maintain

its operation for 10 years. Every dollar of that money will benefit our foreign rivals, and not one dollar of benefit will go to the American shipowner or shipbuilder, while 10 are going to the foreigner. Our shipyards are closing down, breaking up, while the triumphant enemy, sneering at our impotency, rules the waves.

It is by no means to inveigh against the improvement of our rivers and harbors. It is a wise policy, and one which must be carried on to perfection, but the subject is here introduced to show how intimate is such improvement connected with the development of our merchant marine.

This bill has stirred the sluggish blood in our foreign competitors, and they see in it danger to their supremacy. Acknowledging our triumphant rivalry in all branches of business and commerce, with the exception of this one, England has gloated over our weakness in this behalf. England does the carrying trade of South America. England does the banking business of South America. England handles the products of South American industries. England crosses the mighty ocean and carries away raw material that would come to this country if we had ships trading to South America.

The following is the reproduction of an editorial published in the daily London Mail of January 7, 1905, which points out their conception of the genius of this bill and the effect it will have upon British supremacy if there is intelligence and patriotism enough in the American Congress to pass this bill into law:

"THE OUTLOOK—A MENACE TO BRITISH SHIPPING.

"The report of the American Merchant Marine Commission, some further details of which are published on our second page to-day, is a document of great importance, and should its recommendations be carried out, yet another great British industry, the shipping trade, will be stricken by foreign protective tariffs.

"The commission proposes a system of subsidies to American shipping which is estimated in the first year to amount to something over £600,000. The funds from which these subsidies are to be provided are to be obtained by taxing foreign shipping, which in the case of the United States means generally British shipowners. Thus they are to be made to pay for their own gradual elimination. The tax on ships entering the ports of the United States is at present 3d. per ton, whatever their nationality, whether foreign or American. If the commission's proposals are acted upon by Congress, the tax will be 8d. in future upon foreign vessels, while it will be only 4d. for ships flying the American flag. Not only this, but also, whereas in the past a vessel has paid no tonnage duty in the same year for all her entries exceeding the first six, upon which the charge has been levied, hereafter there will be no exemptions for foreign vessels. The British liners of the Cunard Co., for example, will have to pay on every single voyage each year.

"It has from the first been one of Mr. Roosevelt's aims to resuscitate the American merchant marine, which has in the past been swept from the seas, partly as the result of the ravages committed by the Confederate cruisers during the Civil War, but also in part from economic causes. British shipping, according to American historians, was heavily subsidized, while many years ago at a very critical moment most of the subsidies were withdrawn from the American lines. They have since been restored, but the blow was fatal, and the United States to-day sees its carrying trade conducted under foreign flags and foreign vessels making almost exclusive use of its harbors. That is not a state of affairs in which its people are ready to acquiesce without a struggle. They are not, like the British followers of free trade, wedded to fatalism or believers in the theory that everything in trade is best left to nature and a universal scramble between the races of the world for the largest share in the profits. On the contrary, they are ready to pay a little more for their sea carriage, provided it is conducted by American ships.

"It is the easier for them to take action which is, in fact, if not in name, directed mainly against England, because they are perfectly aware that under her fiscal system she is powerless to retaliate. By the free-trade theory she can not lift a finger to help her shipowners; she can not attempt to meet this attack upon them by imposing upon American tonnage a duty precisely similar to that which the United States proposes to impose on British vessels. Though England is by far the best of America's customers, she is treated with the

least consideration, because she has no tariff and because a large but fast-dwindling British party clings pathetically to the rule that the only sound maxim of government is to let things slide. When our shipping feels the blow, free traders will assure us that the loss of another industry does not really matter, and that the displaced seamen and stokers can turn their attention to the making of slops and cordage, of jams and of pickles.

"This last attack upon the greatest and most vital of British interests will, however, immensely strengthen Mr. Chamberlain in his advocacy of fair treatment for the British trader. Other nations can make bargains with the United States under the reciprocity clauses of the American tariff, while England, having nothing to offer in exchange, will be left out in the cold. In such a position she will not for all time acquiesce. Adam Smith, that first and foremost advocate of free trade, held that 'defense was more important than opulence,' and that the navigation laws were for that reason fully justified, and we shall apply his ruling."

The following is an extract from a valuable paper by the United States Export Association, of No. 90 West Broadway, New York, written by Hon. Winthrop L. Marvin, the secretary of the Merchant Marine Commission, a gentleman of high attainments in all the knowledge incident to a study of our shipping interests, and who but reproduces the common sense of the day:

"Every ship is a missionary of trade, and steamship lines work for their own countries just as railroad lines work for their terminal points.

"It is as absurd for us to rely upon the ships of competing nations to distribute our products as it would be for a merchant to rely upon the wagons of a competing house to make his deliveries.

"All parties concur in the necessity for a navy, and are willing to spend a hundred million a year for its creation and maintenance. Isn't it good business to expend 10 per cent of this amount in creating and maintaining a merchant marine which is the foundation for a navy, and which will be nearly self-sustaining in time of peace and a militia of the sea in time of war?

"For a nation with a greater seacoast than any other—a nation with maritime instincts, and with an unbroken record of enterprise and intrepidity on the ocean, from Paul Jones to Admiral Dewey—it is a national disgrace that our over-sea merchant marine, which once carried 90 per cent of our products abroad, should have declined to 9 per cent. Isn't it about time that petty, partisan bickerings should be merged into a patriotic nonpartisan endeavor to revive 'the sea habit'?"

This bill, it is confidently believed, if enacted into law, will go very far to reestablish the merchant marine. This measure is the least in scope and expenditure that can be enacted with any reasonable hope of benefit to the subject matter. If this bill can not be passed, if Congress is unwilling to take this bill up, then, greatly as it is to be regretted, it amounts to a public declaration to the world that we have abandoned the sea and are no longer competitors for the carrying trade upon the ocean. If this bill shall be enacted into law and carried into execution in good faith, a test of its value would be made at a very small expenditure of money and the building of ships will at once be revived.

Your committee have received communications ever since the report was made to Congress from large shipping and shipbuilding interests declaring their purpose to proceed to build ships, large ships, fine ships, for the American carrying trade, if this bill should be passed into law. We have every reason to believe that the problem of the restoration of the American occupancy of the seas and American building of ships will be greatly revived and put in line for future greater development.

Your committee adopt the report of the Committee on Commerce of the Senate, which is reprinted at the end of this report.

We have pending in this House to-day a bill carrying in the neighborhood of \$100,000,000 for the upbuilding, strengthening, and perfecting of the Navy of the United States. The purpose is a meritorious one. Without discussing the merits or demerits of the pending bill, it is the policy of the American people to build a great navy in the interest of peace, but while we are doing this it is well to look about and inquire where are we going to get the men to man this great line of battleships? No nation was ever dominant on the sea in time of war that was not strong on the sea in time of peace in its merchant marine. It is the merchant marine that trains the men who handle the war-ships.

The following from the Nautical Gazette of January 26, 1905, containing an editorial from the Japan Daily Mail commenting upon this very topic, we quote with approval:

"MERCANTILE FLEETS ESSENTIAL TO THE SAFETY OF A NATION.

"It was inevitable that the Russo-Japanese War should disorganize the Japanese steamship fleets. The regular trades, established by the Nippon Yusen Kaisha (the Japan Mail Steamship Co.) and lesser lines, had to be given up, and the vessels were taken over for war purposes. The large steamships of the European and American lines, as well as those running coastwise, were acquired by the Government to be used as transports, etc. The half-yearly report of the Nippon Yusen Kaisha, lately prepared, shows that 11 vessels belonging to that line, with an aggregate tonnage of 32,372 tons, have been lost since the war began. To take the places of the Japanese vessels which were turned over to the Government the company made arrangements with British steamship owners to place British craft on the European and other routes, with the result that the service has been fairly well maintained.

"Despite the disadvantages to which the Nippon Yusen has been put by reason of the war the company has been able to pay its shareholders a dividend of 12 per cent.

"The Japan Daily Mail, in commenting on the steamship company's affairs, says:

"We can not dismiss this subject without noting the situation in which the country would have been placed had the outbreak of war found it without the splendid transport facilities afforded by the Nippon Yusen Kaisha's fleet. In the piping times of peace unreflecting persons are apt to look askance at the great shipping companies which receive a substantial measure of State aid and show enviably prosperous balance sheets. But the truth is that such companies are just as essential to the safety and independence of the Empire as are its army and its navy. Without them, indeed, the army's field of potentiality is strictly limited to domestic territories, and in Japan's case it may be truly said that did she not possess the Nippon Yusen Kaisha, she would have to submit tamely to compulsory exclusion from the continent of Asia, and to see Manchuria and Korea pass finally under Russian sway."

"Americans as a rule have admired and applauded Japan in her endeavor to rise to a position of strength as a modern nation. That her wisdom in creating a merchant marine has been so well justified in the present war should be a cause of congratulation. The United States can take a lesson from Japan's experience."

It is a wise suggestion that America should turn her eyes to matters of efficiency in maritime development. We applauded the splendid achievements of Japan on the sea, and yet without her merchant marine Japan would have been powerless to have delivered the overwhelming blow that she has upon her adversary. England is mighty in her war navy because she is mighty in her merchant marine. Russia presents a singular contrast, and Russia is weak in her merchant marine.

If war should come to-day we have not 10 ships in our merchant marine fit to be taken over by the Government for war purposes, and we could not man with efficient sailors one-half the battleships, cruisers, torpedo boats, etc., of our splendid navy. The merchant marine is a handmaiden, if you please, of the war navy, and no nation ever achieved greatness in one direction which was not strong in the other.

[Senate Report No. 2949, Fifty-eighth Congress, third session.]

The Committee on Commerce, to whom was referred the bill (S. 6291) to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage, having considered the same, beg leave to report the bill back favorably with a recommendation that it pass.

In support of the bill the committee adopt the report of the Merchant Marine Commission, made to the Senate on January 4, 1905, as follows:

Deeply concerned at the decline of our ocean fleet, and the loss of skilled officers and seamen—pioneers of trade in peace, and defenders of the flag in war—the President of the United States, in his annual message to Congress, December 7, 1903, said:

"A majority of our people desire that steps be taken in the interest of American shipping, so that we may once more resume our former position in the ocean carrying trade. But hitherto the differences of opinion as to the proper method of reaching this end have been so wide that it has proved impossible to secure the adoption of any particular scheme. Having in view these facts, I recommend that the Congress direct the Secretary of the Navy, the Postmaster-General, and the Secretary of Commerce and Labor, associated with such a representation from the Senate and the House of Representatives as the Congress in its wisdom may designate, to serve as a commission for the purpose of investigating and reporting to the Congress at its next session what legislation is desirable or necessary for the development of the American merchant marine and American commerce, and incidentally of a national ocean mail service of adequate auxiliary naval cruisers and naval reserves. While such a measure is desirable in any event, it is especially desirable at this time, in view of the fact that our present governmental contract for ocean mail with the American line will expire in 1905.

"Our ocean mail act was passed in 1891. In 1895 our 20-knot trans-Atlantic mail line was equal to any foreign line. Since then the Germans have put on 23-knot steamers, and the British have contracted for 24-knot steamers. Our service should equal the best. If it does not, the commercial public will abandon it. If we are to stay in the business it ought to be with the full understanding of the advantages to the country on the one hand, and on the other with exact knowledge of the cost and proper methods of carrying it on. Moreover, lines of cargo ships are of even more importance than fast mail lines, save so far as the latter can be depended upon to furnish swift auxiliary cruisers in time of war. The establishment of new lines of cargo ships to South America, to Asia, and elsewhere would be much in the interest of our commercial expansion."

In response to this earnest recommendation Congress passed the act of April 28, 1904, creating the Merchant Marine Commission, composed of five Senators and five Representatives.

The text of the act by which the commission was authorized is as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a commission is hereby created, to be called 'The Merchant Marine Commission,' to be composed as follows: Five Members of the Senate of the United States and five Members of the House of Representatives of the United States, to be appointed by the presiding officer of each House of Congress, respectively: Provided, That at least two of the said Members of the Senate and two of the said Members of the House of Representatives shall be members of the minority party.

"SEC. 2. That it shall be the duty of this commission to investigate and to report to the Congress on the first day of its next session what legislation, if any, is desirable for the development of the American merchant marine and American commerce, and also what change, or changes, if any, should be made in existing laws relating to the treatment, comfort, and safety of seamen, in order to make more attractive the seafaring calling in the American merchant service.

"SEC. 3. That the commission shall give reasonable time for hearings, if deemed necessary, and if necessary it may appoint a subcommission or subcommissions of its own members to make investigation in any part of the United States, and it shall be allowed actual necessary expenses for the same. It shall have the authority to send for persons and papers and to administer oaths and affirmations. All necessary expenses, including clerks, stenographers, messengers, rent for place of meeting, and printing and stationary, shall be paid from any money in the Treasury not otherwise appropriated; however, not to exceed \$20,000 for expenditure under this section, to be paid upon vouchers to be approved by the chairman of the commission.

"SEC. 4. That any vacancies occurring in the commission, by reason of death, disability, or from any other cause, shall be filled by appointment by the officer and in the same manner as was the Member whose retirement from the commission creates the vacancy."

The commission immediately met and organized in Washington, and began its formal inquiry on May 23, 1904, in New York City, where more witnesses appeared than could be examined in the three days set apart for the initial hearing. That the mercantile interests of the whole country welcomed the investigation and applauded its object soon became manifest in every section of the United States. Urgent invitations were received not only from the great

ports of the North Atlantic coast, but from the lake cities, the Gulf of Mexico, and the distant Pacific seaboard. A full national itinerary was therefore arranged and hearings were held as follows:

On the North Atlantic.

New York, May 23-25.
Philadelphia, May 26, 27.
Baltimore, May 28.
Boston, June 1-2.

On the Great Lakes.

Chicago, June 24.
Detroit, June 27.
Cleveland, June 28, 29.
Milwaukee, July 21.

On the Pacific.

Seattle, July 26, 27.
Tacoma, July 28, 29.
Portland, August 1.
San Francisco, August 4, 5.

On the southern coast and Gulf of Mexico.

Galveston, November 12.
New Orleans, November 14.
Pensacola, November 15.
Brunswick, November 17.
Newport News, November 19.

In addition to the above, the commission held daily sessions in the city of Washington from November 22 to December 12, hearing evidence, sifting the printed testimony, preparing a bill, and forecasting a report to Congress.

A FAIR CHANCE FOR ALL.

In all of these cities, except Washington, the invitations were extended and the arrangements for the hearings were made by representative commercial organizations, for whose alertness, patriotic zeal, and cordial hospitality the commission desires to return sincere acknowledgements. Without the frank cooperation of these energetic men of business in the chief commercial cities of the country, the inquiry of the commission could not have been carried so far between the adjournment and the reassembling of Congress.

It was everywhere distinctly stated that the commission did not come on any political errand; that it was not committed in advance to any specific measure; that its members, one and all, were open minded as to the best policy of relief for our vanishing ships and seamen; and that any intelligent suggestion offered in good faith toward the upbuilding of our merchant fleet would be frankly welcomed and honestly considered. Indeed, the open-door rule that governed all the hearings was so very liberal that in one or two instances alien agents of foreign steamships appeared with the familiar sophistical plea that foreign shipowners had the field; that their service was "cheap," and that therefore they ought to be allowed indefinitely to monopolize our ocean carrying regardless of the ultimate effect upon our power to extend our trade in peace or defend our coasts in war.

UNITED DEMAND FOR AMERICAN SHIPS.

Coincidentally, this bland appeal of the foreign steamship agents has found expression in a few newspapers, but so far as is known it has not been advanced anywhere by so much as one witness qualified to speak as a disinterested American citizen. Public sentiment, as the commission has sounded it throughout the United States, is practically unanimous not in merely desiring, but in demanding an American ocean fleet, built, owned, officered, and so far as may be, manned by our own people. This sentiment, as the printed pages of the testimony prove, is just as earnest on the Great Lakes as it is on either ocean. Men of business showed themselves conspicuously alert and well informed on this vital question in the lake cities, and the interest and knowledge of shipbuilding in Philadelphia were fairly matched at the great southern port of New Orleans. Differences of opinion there are, of course, as to methods and policies, though these are by no means irreconcilable. But nowhere is there any difference as to the main principle of national recognition and encouragement of our hard-pressed ocean carrying trade.

DISINTERESTED WITNESSES.

A very large proportion—perhaps a majority—of the hundreds of witnesses who have appeared before the commission are men who have not a dollar's

worth of actual interest in ships or shipbuilding. Practically all of the present ocean shipowners and shipbuilders of America have been heard, but all together these men are by no means numerous. A great part of the testimony, and that not the least authoritative and impressive, has come from merchants in general trade, manufacturers of goods for export, editors, lawyers, and like professional men, and others whose interest in this question is, at the most, of those who have freight to ship, or, at the least, of sagacious and patriotic citizens. If the inquiry of the commission has done nothing else, it has in any event proved beyond the shadow of a doubt that public opinion will loyally and even eagerly sustain Congress in any frank, equitable, and effective measure that may be adopted for the restoration of the carrying trade and the expansion of our ocean commerce.

A QUESTION OF MORE TRADE.

Thoughtful men throughout the entire country have now come to see that the question is not merely one of building ships or manning ships, important though that may be to large seaboard communities. Nor is the question, further, one solely of the national defense, though that of itself would abundantly justify congressional action. A third imperative motive for the creation of an adequate merchant marine is the need of new and wider markets. Without these, there is such a thing as smothering at home in our own prosperity.

There is one sure way in which these new and wider markets can be gained. Our own people—merchants, manufacturers, bankers, shipowners, working heartily together—must go and get them. We can not depend upon the foreigners for this—not on the foreign shipowner more than on the foreign manufacturer or merchant. When the market is once opened, the foreign ship may take our goods for a consideration, which in the long run is sure to be higher than the price granted to the foreign manufacturer.

NO MERCHANT WOULD DO THIS.

There is not a department store in Omaha or Waco which would dream of intrusting to a rival department store across the street the delivery of its own goods to its own customers. The heads of the two establishments might be tolerably good friends, but merchant No. 1 would instinctively assume that, human nature being as it is, merchant No. 2 would keep his good horses and sound wagons for his own use, and quietly run in his spavined steeds and worn-out vehicles to convey the goods of his competitor. And pretty soon merchant No. 1 would expect to have complaints of short weight or damaged articles, or perhaps that the purchases were missing altogether. And then he would begin to see those who were once his customers transferring their business to his rival—so that that "cheap" foreign service would have proved a dear service after all.

This is precisely what is happening to-day in South America. The United States sends no marine delivery wagons of its own to Brazil or Argentina. Even the American mails must cross the Atlantic twice on the subsidized liners of England. The result is the inevitable one, testified to before the commission by the manufacturers of Cleveland and Milwaukee, that they find it hard to get into the South American market and harder still to stay there—that they can never depend upon the starting of English and German vessels from New York, and that there is much breakage as well as miscarriage of American goods, confusion, and disappointment. Nor need there be any surprise about this. The English and German shipowners naturally keep their best craft for their own country's trade and use their inferior ones for the American. And the result is just what was intended by our foreign competitors, that Brazil goes by our door and buys of England and Germany.

The United States sent \$13,000,000 worth of merchandise to Brazil in 1894 and only \$10,000,000 in 1903. Yet, having plenty of delivery wagons of its own by sea and rail to Canada and Mexico, our country has increased its exports to Canada from \$51,000,000 in 1894 to \$116,000,000 in 1903, and to Mexico from \$12,000,000 in 1894 to \$41,000,000 in 1903. The contrast is eloquent. There is no need to look further for an explanation why European shipowners, leagued with European manufacturers, are so insistent that the United States should not go to the expense and trouble of providing transportation facilities of its own in the trade to South America, Africa, and the Orient.

OUR TRIBUTE TO FOREIGNERS.

It is a fair, accepted estimate, based on Sir Robert Giffen's figures for British ocean trade, that there is now being paid on the average the enormous sum of \$150,000,000 a year to foreign shipping for the conveyance of our import and export freights, our mails, and our passengers. Only 10 per cent of our vast sea-borne commerce is now carried by American ships. In 1810 the American proportion was 91 per cent; as late as 1861 it was 65 per cent. We ought again to be conveying at least two-thirds of our commerce beneath our own flag; our right to this share is impregnable.

An adequate American ocean fleet would mean the saving to this country of \$100,000,000 a year which now goes to build up the commercial power and naval strength of Europe and Asia. For a time it is true that the development of such a fleet would cost something, but all our economic experience goes to show that this increased expense would be temporary, while the saving would be solid and permanent. American bridge makers and locomotive builders could not compete with Europe in price in the early days of their industry, but now that they have developed standard types and attained a huge scale of constant production, American bridge makers and locomotive builders, still paying good American wages, are able to meet their foreign competitors in cost and beat them in the excellence and adaptability of their product. And what is a steamship but a locomotive and a steel bridge wrought together?

A hundred million dollars a year, the amount that would eventually be saved to the American people if their ocean shipping were developed as their locomotive making and bridge making have been, is equivalent to the entire cost of our splendid Navy, or of our reorganized and strengthened Army, including the coast defenses. It is equivalent to four times the annual interest on the National debt. It would furnish employment to tens of thousands of American workmen, and comfort to their families, in the processes of ship construction and maintenance, from the forest and mine to the rolling mill, forge, and shipyard.

FOREIGN IN EVERYTHING.

The foreign ships which now convey nine-tenths of our ocean commerce are invariably built abroad, officered abroad, manned abroad, repaired abroad. If they can possibly help it, they never use a pound of American material, except coal, or yield so much as a dime to American labor, beyond the stevedores. The managers of these foreign steamship companies are, as a rule, aliens sent over to the United States. The very clerks in their offices are, as far as can be, brought from Europe. These foreign steamship agencies are virtually little European colonies on American soil; their fixed determination seems to be to exclude Americans by birth from all share or knowledge of the ocean shipping business.

It has been testified before the commission that not only do foreign ships, sent over here to engage exclusively in American commerce, bring officers and crews under long contract from home, and return home for all important repairs, but that many actually refuse to purchase food and other supplies here in the best and cheapest market. These vessels arrive loaded with home provisions and other material that are placed in bonded stores here and withdrawn from time to time as they are needed, so that so far as possible not one penny of money earned by these foreign ships in American trade shall return to the channels of American commerce.

PARALYSIS OF OCEAN SHIPBUILDING.

This policy of rigid, aggressive favoritism, practiced by foreign shipowners without resistance from the United States, has now wrought its desired and logical result. It has absolutely killed the ocean shipbuilding of America. The Commissioner of Navigation notes in his present annual report that last year for the first time in our history no square-rigged vessel for the deep-sea trade was launched on either the Atlantic or Pacific coastline, and that only one steamer for the foreign trade remained under construction in any American shipyard. Our shipyards, by the way, have not received an order for a steamship exclusively for foreign commerce since June, 1901.

The condition of the remnant of the ocean fleet of the United States is, therefore, absolutely desperate. With no new ships whatever being built, and

with existing vessels succumbing to age or casualties of the sea, a swift and appalling shrinkage in our skeleton fleet is inevitable next year and the years beyond unless some vigorous measure of relief is immediately adopted. The disappearance of our ships is reflected at once in the depression and disaster that crowd upon our shipyards. But for naval work and coastwise tonnage, always inadequate to fill the yards, there is not a steel shipyard in the United States that would now be earning enough money to pay its office force, and it has been testified before the commission that nearly one-half of the skilled American shipyard workmen are now idle or engaged in the roughest and cheapest of manual labor.

OUR NATIONAL HUMILIATION.

Here is a condition on which no American worthy of the name can look without a smarting sense of humiliation. We have deepened our harbors at an expense of millions upon millions of dollars, almost exclusively for the use of foreign steamships. We are building the Panama Canal through which very few American steamships will pass unless our merchant marine is rehabilitated. We have built a strong navy, in large part to protect our commerce, which is vanishing from the ocean. Our war fleets in the Mediterranean and South American waters scarcely see a United States merchant flag from one year to another, and our battleships, cruisers, and gunboats on the Asiatic station outnumber four-fold the merchant steamers that regularly ply from the United States to eastern ports. Our sea power, in the important point of a merchant reserve of ships and sailors, is as empty as Russia's naval might has proved to be in the war with vigilant and prepared Japan. Though proud of the greatest of naval historians, the United States has until now disregarded his admonitions, which for half a dozen years have been heeded in Tokyo while seemingly forgotten in Washington. Says Capt. Mahan:

"When the day comes that shipping again pays, when the three sea frontiers find that they are not only militarily weak, but poorer for lack of national shipping, their united efforts may avail to lay again the foundations of our sea power. Till then, those who follow the limitations which lack of sea power placed upon the career of France may mourn that their own country is being led, by a like redundancy of home wealth, into the same neglect of that great instrument." (*The Influence of Sea Power upon History, Period 1660-1783, p. 39.*)

HANDICAPS ON OUR SHIPPING.

Though the commission in its inquiry throughout the country has asked for specific suggestions of remedial legislation for the future rather than explanations of the past, yet the causes that have brought the decline of our merchant shipping have not been neglected at the hearings throughout the United States. One, and a prime cause, is clearly stated by the President of the United States in his annual message to Congress in 1901:

"All our ships, sailing vessels and steamers alike, cargo carriers of slow speed and mail carriers of high speed, have to meet the fact that the original cost of building American ships is greater than is the case abroad; that the wages paid American officers and seamen are very much higher than those paid the officers and seamen of foreign competing countries; and that the standard of living on our ships is far superior to the standard of living on the ships of our commercial rivals. Our Government should take such action as will remedy these inequalities. The American merchant marine should be restored to the ocean."

These superior wages and superior conditions are undeniably a great obstacle now to the growth of our merchant fleet, just as at first they were an obstacle to the growth of our manufacturing. Yet American enterprise and determination, long encouraged by the National Government, have finally triumphed over these early disadvantages. Evidence before the commission, notably in the important hearing of November 19, 1904, at Newport News, shows that wages in American shipyards are from 50 to 100 per cent above wages of similar labor in Europe. Yet the American-built ship does not always cost 50 or 100 per cent more than the foreign ship. Indeed, such a wide difference as 60 per cent is temporary and exceptional. There seems to be no doubt that even in the present difficult stage of the industry both the labor and the administration in American shipyards are more efficient than in foreign shipyards, though this superiority is far from bridging the entire difference in cost.

AN AVERAGE OF 40 PER CENT.

Mr. P. A. S. Franklin, of New York, vice president of the International Mercantile Marine Co., which has had the largest experience in ownership under both American and foreign flags, estimates that an American-built steamship suitable for the North Atlantic trade would cost about 40 per cent more than a British-built steamship. This is a formidable difference in a 12,000-ton steamer costing upward of \$2,000,000. Indeed, it happens that just at present there prevails in England the period of dullness which alternates with activity in shipbuilding, as in every other industry the world over. To keep their machinery in use and their workmen together, British builders have recently bid for new construction at unprecedentedly low rates, which mean, probably, a loss, and certainly no profit. Some of these British "panic" bids have been but about one-half of what an American yard, figuring for a small profit, has asked for a similar vessel.

If the normal range of ship cost between the United States and Great Britain were as wide as this, the problem of creating an American-built merchant fleet for ocean trade would manifestly be almost hopeless. But such a difference is not normal; it is temporary; indeed, it is even now passing away. Recent actual bids of American, British, and German yards for typical North Atlantic steamships, which have been communicated to the commission, show an American excess of cost of about 47 and 37 per cent—the German figure being, significantly, the lowest. In the hearing at Baltimore, May 28, 1904, Mr. F. W. Wood, president of the Maryland Steel Co., testified that once, bidding against a north of England firm for some cargo steamships, he came within 15 per cent of the English figures—but this, as indeed Mr. Wood said, was also exceptional. He placed the average difference in cost between American and British ships under present conditions at from 30 to 50 per cent.

AS TO COST OF MATERIAL.

In this connection there arises a factor in the present cost of American ships which the commission has no desire to overlook. It calls for some plain speaking. The tariff laws of the United States now, as for more than a decade past, allow the free importation of all materials to be used in building or repairing an American ship for the foreign trade or building for foreign ownership. This authority is found in sections 12 and 13 of the free list of the Dingley law, as follows:

"SEC. 12. That all materials of foreign production which may be necessary for the construction of vessels built in the United States for foreign account and ownership, or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States, and all such materials necessary for the building of their machinery, and all articles necessary for their outfit and equipment, may be imported in bond under such regulations as the Secretary of the Treasury may prescribe; and upon proof that such materials have been used for such purposes no duties shall be paid thereon. But vessels receiving the benefit of this section shall not be allowed to engage in the coastwise trade of the United States more than two months in any one year except upon the payment to the United States of the duties of which a rebate is herein allowed: *Provided*, That vessels built in the United States for foreign account and ownership shall not be allowed to engage in the coastwise trade of the United States.

"SEC. 13. That all articles of foreign production needed for the repair of American vessels engaged in foreign trade, including the trade between the Atlantic and Pacific ports of the United States, may be withdrawn from bonded warehouses free of duty, under such regulations as the Secretary of the Treasury may prescribe."

The scope of these provisions is very broad—all materials for the construction of the hull and machinery, and, besides all necessary articles of equipment. But vessels thus constructed can not engage in the coastwise trade for more than two months in any one year, except the long-voyage trade between the Atlantic and Pacific seaboard. No American shipowner under present conditions builds a deep-sea ship, even though she be designed primarily for foreign commerce, without considering that he may be glad some day to fall back on the coastwise trade, now extended to Hawaii and Porto Rico and soon to include the Philippines. Therefore this apparently liberal privilege of free materials has not checked the decline of American ocean shipbuilding, and has been

availed of for the complete construction of only one large steel ship, the *Dirigo*, built by Arthur Sewall & Co., at Bath, Me.

The Messrs. Sewall say that the peculiar status of the *Dirigo* is the cause of frequent anxiety to them, for if the vessel were to be for more than two months on the voyage from Puget Sound to Hawaii, the duties would have to be paid on the foreign plates, angles, and beams of which she is constructed. Small amounts of foreign steel are occasionally imported for ship use, but the whole quantity is inconsiderable, and though the Sewall yard has built several steel ships since the *Dirigo*, it has never again invoked the free-list privilege.

AN INJUSTICE TO OUR BUILDERS.

American ships continue to be constructed of domestic steel, even when designed for foreign service. This fact lends large importance to certain testimony which appeared most explicitly in the hearing of June 28, 1904, at Cleveland, though the fact had been alluded to elsewhere. Mr. James C. Wallace, then vice president, now president, of the American Shipbuilding Co., said:

"Recently one of our largest steel mills sold abroad 100,000 tons of steel plate. They delivered it, I understand, at Belfast, at \$24 a ton. That would practically mean, with ocean rates as they are, \$22 a ton at tidewater. They are charging us to-day, at Pittsburgh, \$32 a ton. A differential of \$10 in a ship carrying 5,000 tons is \$50,000. That is the shipbuilder's profit."

And again in reply to questions:

"Representative GROSVENOR. I want to know who bought the steel you speak of?

"Mr. WALLACE. The Harland & Wolff Co., Belfast.

"Representative GROSVENOR. From whom did they buy it?

"Mr. WALLACE. The United States Steel Corporation.

"Representative GROSVENOR. Do you know where it was shipped from?

"Mr. WALLACE. I do not. I presume from the Carnegie Steel Co. I do not know that, though, for a fact, as they have so many mills.

"Representative GROSVENOR. And their present price to you is \$32?

"Mr. WALLACE. \$32 a ton, Pittsburgh.

"Representative GROSVENOR. And that was laid down at Belfast at \$22?

"Mr. WALLACE. \$24."

Whatever may be said for the occasional sale abroad of surplus manufactures below the domestic price, this, manifestly, is a case for which the familiar defense is quite impossible. American shipbuilding is terribly depressed; it is essentially an unprotected industry in the foreign trade, and when American steel mills, long and amply protected, sell material to foreign shipyards at eight or ten dollars below the price asked from American yards, these steel mills simply heap an unjust and intolerable burden upon an interest now well-nigh prostrate.

A sense of fair play, or even cool business prudence, should make it manifest to the steel companies that they ought to do their utmost to encourage the struggling American shipyards. For, after all, the best and permanent market for American ship steel must be in this country and not in Europe.

AN EXTENSION OF THE LAW.

In view of these circumstances, the commission recommends that the law be so changed that the period during which ships built of free materials are allowed to run in the coast trade be extended from two months to six months; and also that the privilege of all-the-year-round service now granted in the Atlantic-Pacific trade be extended to the trade with the Philippines, which, on July 1, 1906, comes under the coastwise laws and regulations. This especial treatment of ship material can, we believe, be justified by the peculiar importance of ocean shipping in the promotion of our commerce and the national defense, and also by the fact that this ocean shipping has remained so long an almost forgotten and unprotected industry.

But it must not be hastily assumed that even the absolutely free importation of materials will of itself immediately reduce the cost of American ships to the foreign figure. After all, the steel materials, while a large are not the dominant factor in the cost of ship construction. For example, an 8,000-ton ship would require about 3,500 tons of steel. Reducing the cost of all that material \$8 a ton would reduce the cost of the completed ship \$28,000. But an 8,000-ton ship which costs \$450,000 in the United States can be built for from \$100,000

to \$150,000 less in England. The real dominant factor is thus not the price of materials, but the high wages of the skilled American workmen who fashion the plates and beams into the finished ship.

A SPECIFIC EXAMPLE.

Convincing proof on this point was offered in 1900, when steel plates and beams, because of labor troubles abroad, were selling at \$40.86 in England, and \$28 in the United States. Boston shipowners at that time invited bids from an American and a British builder for a cargo steamship of about 5,000 tons capacity. With both yards figuring for a small competitive profit, the American estimate was \$275,000 and the English \$214,000. The material of the American ship would have cost \$63,000; of the English ship, \$80,000. But this difference was more than offset by the higher wages paid to the American shipyard mechanics.

However, the narrowing of the difference of shipyard labor cost that will come with increased experience, improved standardizing and constant production, as it has come already in the bridge and locomotive works, makes the reduced cost of materials a factor of undeniable importance.

HIGHER SHIPBOARD WAGES.

But higher cost of construction, chiefly because of the higher range of shipyard wages, is only one of the present handicaps on American shipping in overseas trade. There is also the higher range of wages of officers and crew, and the higher cost, because more liberal variety and quantity, of food on shipboard. The laws of the United States require a scale of provisions the most generous in the world, and if the Government scale is waived, as it may be by mutual agreement of master and men, equally good food must be substituted. This, of course, is all as it should be, and must be in America, but wages and maintenance are unquestionably a present factor to prevent American ships from launching out into general and successful competition with foreign flags.

The difference in wages and in style of living is not greater between an American and a foreign ship than between an American and a foreign factory. But the higher wages of the American factory, and the superior comforts required by its workpeople are, and long have been, protected by tariff laws against the cheaper wages and the lower standards of foreign lands. Here is the real heart of this whole question of the American merchant marine.

THE ONE UNPROTECTED INDUSTRY.

American shipping in the foreign trade has been for 40 or 50 years the only American industry exposed directly to foreign competition that has not been protected by the Government. There is no need to look beyond this one sentence for an explanation of the hard fact that this is the one American industry that has halted and shrunk while all others have made prodigious increase. And yet this industry was once almost the mightiest in America. The American merchant fleet from 1800 to 1860 was the second in size and the most enterprising, efficient, and profitable in existence. But throughout most of that time it was a protected industry—protected at first by discriminating duties and tonnage taxes, which were not completely removed against our most formidable rival until 1849; protected later by the California gold discovery and the Crimean War. When these factors lost their power, as they did in 1855–56, there came the sharpest and most significant decline that American shipbuilding has ever suffered in the half decade from 1855 to 1860.

When new and vigorous protection was applied by the national legislation of 1861 and the subsequent years to American manufacturing and land industries in general, the toilers of the sea, the enterprise of our ocean merchants, were unconsciously forgotten by the National Government.

HEAVILY BURDENED.

Not only were the shipowners and seamen forgotten in their bold and hazardous industry, but heavy burdens were heaped upon them in the war taxes, for which manufacturers gained compensation in the protective tariff. The heavy blow struck by the war itself at our merchant shipping is, of course, historic, but there were economic disadvantages scarcely less severe

and more protracted. The American shipowner who built a ship in the United States between 1865 and 1870 was in a position analogous to that of a manufacturer compelled to pay heavy duties on his machinery and his materials, and yet absolutely denied protection on the finished product of his industry. This finished product of the shipowner was his service, his transportation. It is a vivid proof of the incomparable American genius for the sea and its affairs that several hundred thousand tons of American shipping have survived until to-day an economic blunder that would have long since driven a manufacturing industry to utter bankruptcy and dissolution.

A FLOATING FACTORY.

The American merchant ship is essentially a floating factory. It is built and maintained at the American wage rate; but there is this vital difference, that, while land factories are covered by national protection averaging almost 50 per cent, these floating factories, the few that are left, work up and down the ocean without any protection whatever, save that granted to a few steam lines by the postal subventions of the law of 1891.

These American ships, it is true, can secure their labor where they will. Our navigation laws, almost the laxest in the world in this respect, merely require that, except on mail ships only, the captain and the officers of deck and engine room need be American citizens. But because an American ship fits out and begins her voyage in the United States she naturally secures her crew there, and pays the high wages of her flag and port. Her foreign competitors, on the other hand, fit out and secure their crews at their home ports, where wages are adjusted to local conditions, and supply here only the waste of casualty or desertion.

The handicap of wages against the American ship, as the testimony before the commission demonstrates, ranges from 30 to 60 per cent, except on the Pacific, where rates for white crews in the coast trade are almost the highest in the world, and regular American liners to the Orient employ Asiatic seamen and firemen.

The American sailor, native or naturalized, an able-bodied, hardy, courageous man of peculiar value in the stress of war, would seem to be at least equally as deserving of the consideration of his Government as the worker in a cotton factory, and it is not apparent why a tin-plate rolling or dipping mill should be more important to the United States than a great shipyard equipped to build not only merchantmen, but battleships and cruisers.

THE CASE OF THE SEAMEN.

One essential clause of the bill creating the Merchant Marine Commission directed it to ascertain "what change or changes, if any, should be made in existing laws relating to the treatment, comfort, and safety of seamen, in order to make more attractive the seafaring calling in the American merchant service." Without this a merchant-marine inquiry would, of course, be incomplete, for, as a sailor-author has well said, there can be no upbuilding of American shipping which neglects the personal equation. After all, it is the officers, the men, and the boys that make up the soul of the ship, which is so much inanimate wood or steel without them.

Authorized representatives of the seamen have been heard by the commission on the Atlantic, the Pacific, and the Gulf of Mexico. They have had a conspicuous part in almost every meeting, and their evidence is fully set forth in the published volumes. As a rule, this testimony is to the effect that general conditions of life in the American merchant marine—wages, food, quarters, etc.—are superior to those in foreign services, but that the discipline is often more exacting and the work more arduous. These seamen witnesses frankly acknowledge the beneficial effect of legislation enacted in recent years by Congress, but they ask for further measures of relief. The commission would therefore commend to the friendly attention of the proper committees of the Senate and the House of Representatives requests offered by the sailors as to the load-line law, the adequate manning of seagoing ships, imprisonment for desertion in foreign ports, and certain standard qualifications of seamen.

It will readily be recognized by Congress and the country that it is not enough that American seamen should be merely on a parity in wages, treatment, and comfort with foreign seamen. That will not suffice to draw American boys in any considerable numbers into our merchant fleet. The conditions of life in

American shipping ought to be not only as good as, but distinctly better than, in foreign shipping. They are better already in most respects; that is unquestioned. But they ought to be made better in all respects.

And above all, there must be a constantly increasing number and tonnage of American ships, for American boys of the right kind will not go to sea or into any other calling that is lagging and unprosperous. They will enter no profession that does not offer an opportunity to get ahead. There was a time, not so very remote, when American boys by the hundreds, from high schools and sometimes from colleges, were every year entering cheerfully on the hardships and perils of a sea life, because it was, as it still is, a grave and adventurous life, irresistibly appealing to their manhood, and because beyond the forecandle they saw prospects of profit and command. When America again has her ships on every sea the boys will be forthcoming. All they ask is a square deal and a fair chance of advancement.

FOREIGN SUBSIDIES AND BOUNTIES.

Beyond the lower first cost of foreign ships and the lower cost of maintenance of these ships—due in both cases primarily to lower wages—there is a third serious handicap upon American shipping in the subsidies and bounties bestowed upon a part or all of the merchant fleets of foreign governments. These subsidies and bounties, as compiled from the report of the Commissioner of Navigation for 1901, are as follows:

Country.	Mail.	General.	Total.
Austria-Hungary.....	\$1,288,201	\$656,270	\$1,944,471
Denmark.....	82,455		82,455
France.....	5,019,703	3,623,720	8,643,423
Germany.....	1,825,651		1,825,651
Great Britain.....	14,874,243	662,369	5,536,612
Italy.....	1,757,812	1,061,639	2,819,451
Japan.....	2,865,831	76,465	2,942,296
Netherlands.....	367,468		367,468
Norway.....	48,338	89,218	137,556
Portugal.....	63,300		63,300
Russia.....		1,595,701	1,595,701
Spain.....	1,629,927		1,629,927
Sweden.....	81,849		81,849
Total.....	19,904,778	7,765,382	27,670,160

¹ New Cunard subsidy of \$1,100,000 not included.

The maritime policies of the foreign nations may be thus summarized:

Great Britain pays generous mail subsidies to her chief steamship lines, admiralty subsidies to her fastest vessels, and retainer bounties to many thousands of her seamen.

Germany bestows liberal mail subsidies upon several steamship lines, especially those of recent development, and encourages her shipyards by hauling material at nominal cost on the State railways—in effect a bounty to shipbuilding. German shipyards are further aided by the requirement that mail steamers of the Imperial lines shall be constructed in Germany by German workmen. Moreover, the State railways grant preferential rates to goods intended for export by the Imperial lines—in effect a bounty on navigation. It is stated by British steamship managers that the passage through Germany of emigrants from other countries bound overseas is obstructed in every possible way unless they hold tickets by German steamers. Finally, the German Government, or individuals composing it, are understood to be interested in the great German shipyards and steamship companies, so that there is virtually a close partnership between these enterprises and the Empire, and the German people regard their merchant marine with the same intense patriotic devotion as their navy.

France gives mail subventions to her great steamship lines, construction bounties to her shipyards, and navigation bounties to all French shipping, steam or sail, engaged in overseas commerce.

Italy grants mail subventions, construction bounties, and navigation bounties to all her ocean vessels, steam or sail.

Austria-Hungary gives construction bounties and mail and navigation subsidies to her ocean fleet.

Holland grants subventions to her colonial mail service.

Spain grants subventions and other privileges to her ocean mail lines.

Russia bestows encouragement through subsidy on a part of her merchant shipping, this going chiefly to one concern, the so-called "volunteer fleet," really controlled by the Government.

Denmark gives modest mail subsidies to her few lines, including a West India service.

Sweden grants mail subsidies, and in addition lends Government money to shipowners to aid them to buy new vessels and enter ocean trade.

Norway gives direct bounties to encourage native shipbuilding and also grants mail subsidies, which have checked the growth of British shipping in certain trades of north Europe.

Japan has a most comprehensive system of national aid to shipping—bounties to shipyards, subsidies to mail lines, bounties upon navigation. Japan's ocean fleet has increased more rapidly of late years than any other shipping in the world.

China, at present, gives very little help to her maritime interests, to the encouragement of her shipyards and steam lines, or to the development of seamen. Her policy of *laissez faire* in overseas navigation bears the closest resemblance to that of the United States, and is naturally attended with the same consequences. Chinese ocean tonnage is inconsiderable. According to the Bureau Veritas, it is less than 60,000 tons, steam and sail both included.

A WORLD-WIDE PRACTICE.

To sum up, therefore, it may be said that every nation possessing a deep-sea merchant fleet of any real importance encourages and supports this interest to the degree and in the way which its judgment approves or its national resources make possible. The most frequent form of this national assistance is the mail subvention to regular lines. Great Britain is the pioneer and chief exemplar in the policy of mail subventions. She began this practice on a large scale with the Cunard Line in 1839-40, and since then has expended between two hundred and fifty and three hundred million dollars in creating and sustaining her mail lines to every great port and market on this planet.

It is sometimes urged by those who desire to believe that a consistent free-trade policy has been maintained by the British Government that these enormous British subventions were bestowed merely to carry the colonial mails, with no purpose whatever to encourage British ocean trade or navigation. But that this academic view is wholly superficial and untenable is demonstrated by the British Government itself. A report of the Parliamentary committee on contract packets in 1853 on the Cunard and other subsidies thus speaks with authority as to the actual purpose of these generous subventions:

"The objects which appear to have led to the formation of these contracts, and to the larger expenditures involved, were to afford us rapid, frequent, and punctual communications with distant ports which feed the main arteries of British commerce, and with the most important of our foreign possessions, to foster maritime enterprise, and to encourage the production of a superior class of vessels, which would promote the convenience and wealth of the country in time of peace and assist in defending its shores against hostile aggression."

TO NON-BRITISH PORTS.

Indeed, some of the heaviest British expenditures were not in the colonial service at all, but for lines not only to the United States, but to Colon, Brazil, and Argentina—in other words, to absolutely foreign lands. At least one of the British subsidized companies—the Pacific Steam Navigation—touched at no British port, but traversed the west coast of South America. Lindsay, the historian of British shipping, says of this enterprise, that was established by an American merchant who first sought aid unsuccessfully at Washington:

"The extension of British influence and British commerce was doubtless the chief inducement for supporting this communication between the Republics of New Granada, Bolivia, Peru, and Chile, the nature and extent of that traffic rendering it necessary for the English to maintain mercantile establishments in the chief ports and towns of the western coast of the Pacific, and thus justifying the Government in incurring this expense." (W. S. Lindsay, *History of Merchant Shipping*, Vol. IV, p. 317.)

RECENT BRITISH SUBVENTIONS.

This fixed British practice of creating, by generous subvention, steamship lines "for the extension of British influence and British commerce" continues to the present time. The new Cunard contract, involving the virtual gift of two great steamers with a subvention of \$1,100,000 a year, is a recent case in point. Another is the grant of a \$200,000 subvention for a new 14-knot steam line to the West Indies. And still another—a little earlier—is the subvention of \$291,000 to a British line of three ships for a service from Vancouver, British Columbia, across the North Pacific to Japan and China—"a notable illustration of the generosity and courage with which England pushes her shipping interest," wrote the late Hon. William C. Whitney in his annual report as Secretary of the Navy. "Under such competition," Mr. Whitney added, "it is quite easy to conjecture what will become of the American flag and our resources in the way of a naval reserve in the North Pacific."

A HOPELESS COMPETITION.

Close alongside these heavily subsidized British steamers, out of the American ports of Tacoma and Seattle, a few miles southward, now run two large and three smaller American steamships, competing with the British line for freight and passenger traffic to and from the Orient. These American steamers received last year for carrying the United States mails the munificent sum of \$4,935. Close alongside the American steamers, right out of Puget Sound, runs a Japanese line, the Nippon Yusen Kaisha, which receives an annual subsidy of \$330,000 from the Japanese Government, and was given last year \$4,857 for carrying the United States mails.

Again to quote Mr. Whitney, "Under such competition it is quite easy to conjecture what will become of the American flag and our resources in the way of a naval reserve in the North Pacific." Mr. Alfred Winsor, president of the Boston Steamship Co., operating these American steamers, has given frank notice to a committee of Congress that unless some national aid equivalent to that of his foreign competitors is speedily bestowed he must haul down his flag and quit the route—and in that case the farmers and millers and lumbermen of the Northwest will lose the service of the largest and most efficient cargo carriers now running out of Puget Sound to the markets of the Orient.

STATE AID EVERYWHERE.

There is not an important commercial route anywhere on which the remnant of our American ocean fleet does not meet the keen edge of subsidized and bountied foreign competition. The five Pacific Mail steamers from San Francisco to Asia, which received \$63,902 last year for carrying a great amount of United States mail, run directly side by side, to and from the Orient, with a Japanese line of three steamers that receive \$600,000 a year from the Japanese Government. Germany pays \$1,340,000 a year to the North German Lloyd for a steamship service to the East Indies and Australia, and Great Britain pays \$1,660,000 to the Peninsular & Oriental.

Not only does this competition strike heavily at our unsubsidized trans-Pacific lines, but it absolutely prevents the establishment of an American East India service direct from the Atlantic coast via the Suez Canal or the Cape of Good Hope. Oriental goods brought by the subsidized British or German liners from the East are transferred in England or Germany to ships of the same flags or lines for transportation over the Atlantic. Thus the foreign subsidies that 50 years ago drove our clippers from the seas now stand a barrier across the course of American steamers.

EVEN "TRAMPS" INCLUDED.

It may be said that British "tramps" and German "tramps" receive no subsidy, and that they are numerous. That is true, but indirectly even the "tramps" are and have been sharers in the general policy of national encouragement. The first British "tramps" years ago were built in yards and engined by machine shops that had been created and developed by the Parliamentary grant of subsidies to the Cunard Line, the Peninsular and Oriental, and the Royal Mail. These subsidies had an immediate and widespread effect

upon the entire art of steamship construction in Great Britain, and gave that country at a critical stage an overwhelming advantage against America.

The same process is now under way in Germany. Yards which build the subsidized liners and have their materials delivered at nominal rates by Government railways are thereby powerfully encouraged to build "tramps" or cargo boats in the intervals when no liners are required. Moreover, the great foreign subsidized mail companies own, besides the ships that earn their subsidy, a very large amount of ordinary commercial tonnage which indirectly shares the benefit of the subventions. Thus, when the \$1,100,000 subvention was recently awarded to the Cunard Line, that company was encouraged to construct not only the two great 24-knot ships, but several auxiliary vessels of moderate speed and heavy tonnage.

IN SHEER SELF-PROTECTION.

As to the French, the Italian, the Austrian, the Spanish, and the Japanese vessels competing with our American ships, they are virtually all aided directly by their Governments, while Canada, with a sharp eye to American trade, has lately subsidized steam lines of her own to France, Africa, the West Indies, and, on both the Atlantic and Pacific, to Mexico. Even were there no wage difference against us, this now universal practice of State aid to shipping, in some form or another, on the part of our competitors, would eventually drive the American flag from the great trade routes of the ocean. To a very large part of the foreign merchant navies the eloquent words of Senator James Ashton Bayard, of Delaware, uttered in 1852, apply as truly now as they did to the subsidized liners of England:

"I am willing to trust American skill and industry in competition with any people on the globe when they stand nation to nation without Government interference. But if the treasury of a foreign nation is poured into the lap of individuals for the purpose of destroying the interests of my country, or for building up a commercial marine at the expense of the commerce and prosperity of the United States, I, for one, will count no cost in counteracting such Government action on the part of Great Britain or any foreign power."

NEW LEGISLATION PROPOSED.

This consideration of the serious threefold disadvantages, which American shipowners and seamen must now meet, brings us to the definite, imperative question, What remedy does the Merchant Marine Commission propose to Congress?

Our answer is embodied, as the result of eight months of inquiry and reflection, in the accompanying bill "To promote the national defense, to create a force of naval volunteers, to establish American ocean-mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage."

For several years the Navy Department has been urging Congress to authorize a naval reserve of professional officers and seamen of the merchant service, who shall be in effect a militia of the sea, holding the same relation to the Regular Navy that is held to the Regular Army by the Organized State Militia and National Guard.

OUR NEED OF A REAL NAVAL RESERVE.

The United States is the only maritime power, except Russia, which has not made provision for this essential factor of national defense. There is, it is true, a Naval Militia now existing in a few States, but as a rule it is composed of landsmen and is valuable in war only as an auxiliary in coast and harbor protection, where its advantage is unquestioned. But a naval reserve in the true sense, composed of men habituated to the sea, trained in its difficult work and hardened to its perils, has now virtually no existence in the United States, and nobody understands this better than the good and loyal officers of the State forces, especially those who, because of our sheer lack of such a reserve, were hastily drawn into the naval service on converted yachts or tug-boats, or deep-sea cruisers, in the war with Spain. Not a few militia officers and men had at that time their first experience out of sight of land, and for the first time saw the sun go down behind an ocean horizon, "off soundings."

A DANGEROUS NEGLECT.

There is, as has been said, one other maritime power besides the United States that is destitute of a trained seafaring reserve, and is in the same plight of fatuous unpreparedness. As a neutral observer, quoted by Rear Admiral Luce to the commission, page 1741, said of the Russian Baltic squadron before it sailed away:

"The units of the ships' companies are brave, but as a rule are wanting in the high-sea experience and the elasticity that enable the seamen of the American and British navies to adapt themselves to new and difficult responsibilities as they arise. Nor do the temperaments and traditions of the composite races that man the ships serve to correct these deficiencies. The service is compulsory, not voluntary, and a good portion of the crews is drawn from the interior. The merchant marine is relatively too unimportant to provide a proper nucleus of seamen, and the consequence is that many of the men serving on board ship have no sea aptitude, and are found afloat only because they have drawn an unlucky number in the conscription."

Russia exhausted her best officers and trained men in the first squadron whose ships now lie sunk at Port Arthur or hide dismantled in the neutral harbors of the Yellow Sea. It is not comfortable to think that but for our unbroken victories in the hundred days' war with Spain Russia's experience with the Baltic squadron might have been our own. It is the evidence of the admiral commanding on the coast of Cuba in that war that the United States had set afloat all its educated officers and skilled seamen in its first battle line, and that if a reverse had come there would have been no crews to man another fleet, even had the new ships been available.

At the present time it is well known that new ships and good ships are being laid up at the navy yards because there are no officers for them, and because the regular navy quota of enlisted men is insufficient for the demands of routine peace service. Representative Richard Wayne Parker, of New Jersey, who has given much thought to this question of a naval reserve, made an able presentation of the case at one of the Washington hearings in November, and for his zeal and information the commission offers sincere acknowledgment.

THE NAVAL VOLUNTEERS.

The bill as drafted by the commission proposes, as the first essential step in the rehabilitation of our merchant shipping, to create a force of naval volunteers composed of the best officers and men of our merchant ships and deep-sea-fighting vessels, and, having created this force, which must necessarily be small at first, to provide means for its healthy and sure expansion. As an inducement to enroll, and in frank recognition of the peculiar national value of a thorough-going seaman, a substantial retainer is offered ranging from \$100 a year for the master or chief engineer of a large steamship to \$25 for a sailor or fireman, and \$15 for a boy. It is understood, of course, that officers and men shall receive regular pay, besides this retainer, during their period of actual naval instruction, and the terms and conditions of this period, which at first can not be long, and the regulations and qualifications of the service are left, as they ought to be, to be prescribed by the Secretary of the Navy. Enrollment in the naval volunteers is open to officers and men now in the coastwise service, but it is stipulated that to receive the retainer they must have spent at least six months of the year in the foreign trade or deep-sea fisheries.

A SMALL FORCE TO START WITH.

It is estimated by the commissioner of navigation, in his annual report for 1903, that "all American vessels on salt water which go out of sight of land for any time during the year would be fully manned by 50,000 men, including masters." Somewhat less than one-half, or perhaps 20,000, of these officers and seamen are native or naturalized American citizens. Out of these 20,000 officers and men probably not more than one-half would be eligible for naval volunteer service, and it would require considerable time to enroll and instruct them. But the Navy has asked for a reserve of 20,000 in the bills which it has presented to Congress. It is therefore manifest that shipowners must not only be encouraged to employ these naval volunteers, but encouraged to build more

ships to develop an increased naval reserve, as well as to advance the interests of commerce.

Thus section 2 of the bill authorizes the payment of an annual subvention of \$5 per gross registered ton for every vessel, steam or sail, engaged for 12 months in the foreign trade or deep-sea fisheries, \$4 for 9 months, and \$2.50 for 6 months, provided that the vessel carries among her crew a certain proportion of naval volunteers, and provided further, that the vessel is held at the disposal of the Government in war, carries the United States mails, if so required, free of charge, maintains an efficient rating, and makes all ordinary repairs in the United States.

AN EXACT PRECEDENT.

An exact and authoritative precedent for the principle of this proposed legislation is to be found in the example of the fathers of the Republic. More than a century ago, on February 16, 1792, the Congress of the United States, acting on information contained in a report of Thomas Jefferson, Secretary of State, granted bounties from the Treasury to the men employed in the deep-sea fisheries and to the vessels themselves. (Jefferson's exhaustive memorandum will be found in Volume VII of "The writings of Thomas Jefferson," edited by H. A. Washington.) These bounties at first took the place of an allowance that had been made upon the exportation of dried fish, and were nominally at first in lieu of a drawback of the import duties paid on salt, but as a matter of fact were very much more than an equivalent.

The original bounties offered were at the rate of \$1.60 a ton to vessels below 20 tons, \$2.40 a ton to vessels of 20 and not more than 30 tons, and \$4 a ton to vessels of above 30 tons—the manifest purpose being to encourage longer trips and the use of larger and superior seagoing vessels. These payments were divided in a fixed ratio between the vessel and her crew. Only three or four months of actual sea service were required each year. This policy was interrupted during the period of the embargo, but it was resumed at the end of the second war with England, and, with some modifications and increases, it remained in force under all changes of parties and administrations until 1866. During a part of this period a separate bounty was allowed on the exportation of dried fish, but this was withdrawn in 1848 in favor of a drawback of the duty on the salt used in curing fish for exportation.

A POLICY OF THE FATHERS.

Under this policy of the fathers more than \$10,000,000 were expended between 1793 and 1851, and the tonnage of the cod and mackerel fisheries increased from 30,959 in 1793 to a maximum of 204,197 in 1862. Men of the fishing crews under this historic system received on the average a retainer of about \$2 a month for three or four months' service, or almost an equivalent to the \$25 per year offered to seamen by the terms of the present bill.

The chief motive of this time-honored policy of the founders of the Nation, as the references to it in Congress abundantly prove, was the exact purpose of the present proposition—to create a sea militia, a force of naval volunteers, brave and hardy men, inured to the ocean, who should be prepared to defend the flag in war. History records how gallantly these naval volunteers responded. The *Constitution* in her later and most glorious cruises was manned largely by deep-sea fishermen, who were found in the crew of every frigate and sloop of war of 1812, and swarmed into the daring and effective privateers of that ocean conflict. When the Navy was again recruited for the war with Mexico, the deep-sea fisheries were again a ready source of the best enlistments, and so many thousand fishermen joined the Federal fleet in the Civil War that the industry was well nigh abandoned—shrinking from a tonnage of 204,197 in 1862 to 76,065 in 1867.

A NATIONAL INTEREST NOW.

At that time, and for many years before, the deep-sea fisheries were not the genuinely national industry they have now become, when their adventurous sails flash in the Gulf of Mexico and the far North Pacific. Seybert in his "Annals" (1818) declares: "Our fishermen have been almost exclusively confined to the New England States; of these Massachusetts had the greatest share. * * * In the cod fishing, no vessel (except 48½ tons returned for

New Jersey in 1803 and 66½ tons for Virginia in 1796) was owned south of New York." Yet until the unhappy quarrel that preceded the Civil War, this national encouragement from the Treasury of a naval reserve aroused no party or sectional opposition. The policy, founded under Washington, through the counsel of Jefferson, stood under Madison and Jackson as well as the younger Adams. That identical principle—indeed, that identical method—with the sanction of three-quarters of a century upon it, is now again evoked in the present bill for the creation of another force of naval volunteers, applied anew to the deep-sea fisheries, and extended to the kindred service of the merchantile marine—for the fisheries are now too scant to provide alone the naval volunteers for a Nation of 80,000,000 people.

FOR CARGO CARRIERS ESPECIALLY.

To the inevitable question, Will this naval subvention of \$5 per gross ton per annum, payable to a given vessel for no more than 10 years, suffice to solve the whole problem of our ocean shipping, creating not only a fleet of capacious and useful cargo ships, but a fleet of fast and luxurious passenger ships?—to this question the commission will frankly reply that no such complete result is to be expected. Regular mail liners of adequate speed on certain important routes are provided for in another way in another section. But this naval subvention of \$5 per gross ton does effectually bridge the difference of cost of construction and cost of maintenance, based on wages here and abroad, so far as concerns the average freighting vessel, steam or sail. To this extent it does equalize conditions, and thereby does give our merchant ships a fair fighting chance again upon the ocean.

Take, for example, the actual case of a new steam freighter, a typical cargo vessel, of 3,750 gross tons. Her fixed charges, based on crew wages and maintenance and higher cost of construction, would be, approximately, \$13,000 a year greater than those of a British vessel of the same class, with a British crew—if a Chinese or Lascar crew, the difference would be four or five thousand dollars greater. Such a typical American ship would earn a subvention for a year's service, at \$5 per gross ton, of \$18,750, evening conditions, and perhaps a little more, by way of encouragement to the owners to build new vessels, employ more naval volunteers, and help to make new markets for American commerce.

ONLY EQUALIZES CONDITIONS.

It should be emphasized that this subvention only equalizes conditions, or, at the best, a little more. In no instance, with no kind of ship, is the subvention large enough to justify the owner in sailing without cargo. He must have a freight, and a good one, if he is to make both ends meet. To run without it means to pay \$3 or \$4 in wages, supplies, interest, taxes, depreciation, and insurance in order to earn \$1 of subvention. Therefore, no arbitrary requirement of a certain proportion of cargo is necessary; and it must be remembered that such a requirement would bear hardest on adventurous vessels seeking to create new trades, where at first a ship that fills one-third of her space is fortunate. It is just this seeking for new markets that the American people are most eager to encourage for the sake of farmers, manufacturers, and other producers at home.

ONE EVEN RATE.

It is to be noted that one even rate of subvention of \$5 per gross ton is provided for all vessels, sail craft included. This is the fairest plan that possibly can be framed. It is simple and intelligible. It is proof against all charges of favoritism and discrimination. Moreover, there is more than one urgent reason why sail vessels should have the same rate as steamers. Our present fleet includes many sail ships of high commercial efficiency. They are often still the pioneers of commerce, visiting new ports where trade is too small or channels too shallow for the steamers. They are the cheapest carriers of certain important cargoes, and their presence is everywhere a check upon exorbitant steam rates.

VALUE OF SAIL SHIPS.

But beyond all this, sail vessels of square rig or fore and aft rig are indispensable as schools of seamanship. Here their value is incomparable. Indeed

the greatest steamship companies of Europe now maintain sail ships for the express purpose of training their young officers, and the United States Navy does the same. Within a few months the Navy has launched three vessels—sail ships, pure and simple—modeled closely after the merchant type, and to be used exclusively for training purposes. Both the cadets at Annapolis and the lads who are to be enlisted men receive their practical sea education to-day on sailing ships or steam vessels with the largest possible sail power.

As Rear Admiral Luce, one of the ablest of the veteran sea officers of the United States, testified recently before this commission in Washington: "I am a strong advocate for keeping up, if possible, the sailing vessel as distinct from the steamer. * * * It is desirable, from the naval point of view, that this species of industry should be encouraged by our navigation laws, for it is unquestionably true that it is that class of vessel that we must look to for sailors. Steamers produce seamen, it is true—men who acquire the sea habit—but not sailors in the strict sense of the word, men who do not only have the sea habit but the well-known characteristics of the sailor, his skill in meeting all the vicissitudes of life at sea, his contempt for danger, his self-reliance under difficulties, his adaptability to all sorts and conditions of circumstances. Men seasoned in that school soon adapt themselves to man-of-war life."

NOT ENOUGH FOR FAST, HIGH-COST VESSELS.

This proposed rate of \$5 per gross ton is unquestionably sufficient to equalize conditions for American sail vessels as against foreign sail vessels, save in the case of the excessively subsidized fleet of France. This same rate, as has also been said, is sufficient to equalize conditions for American cargo steamers, save in exceptional instances. The commission is prepared to anticipate the criticism that this naval subvention will not of itself encourage the building of swift and expensive steamships. Indeed, we are ready to admit this without controversy.

We are frank to say, moreover, that it is our deliberate judgment that in the restoration of the American merchant marine it is the useful, hardworking cargo ship of steam and sail which should have the first and friendliest consideration. For the American people, though they are now sending many compact manufactured goods abroad, are still in the main producers of bulky commodities, so far as concerns their export commerce. Grain, provisions, cotton, lumber, cattle—things like these still make up the greater part of the value, as they do of the volume, of American shipments to foreign countries.

CARGO SHIPS THE NATION'S FIRST NEED.

The commission believes that it interprets rightly the desire of the American people, as everywhere expressed at the hearings throughout the United States, when it provides first and foremost for the encouragement of the kind of ships best adapted to convey American export merchandise. We are glad to make this explanation promptly and fully at this time, but we do not feel that anything like an apology is necessary for so shaping the proposed bill that it will especially aid and insure the construction of commercial vessels that can most easily be built, owned, and managed by men of moderate means—vessels adapted to the present requirements of American ocean commerce.

Indeed, if we mistake not, this feature, frankly embodied in the bill, will be recognized as a distinct and important merit of the proposition, not only on the seaboard but in the States of the South and West, whose fields supply the chief part of our outward cargoes.

NO MERE COMMERCIAL SUBSIDIES.

It can not be too strongly emphasized that the naval subventions offered in sections 2, 3, and 4 of the proposed bill are not bounties outright or mere commercial subsidies, such as many of our competitors give, but are distinctly based on important public services rendered and to be rendered by the ships and shipowners that receive them. As to the constitutionality and expediency of such guarded subventions as these there can be no question whatever, in the light of the example of the fishery subventions given to both vessels and men for prospective naval service by the fathers of the Republic and continued by their immediate successors.

It was not expected that these fishing craft themselves would fight; they never did so. But their gallant men did fight in every ocean war we ever had.

and the Government, from 1792 onward, frankly recognized that in order to secure this indispensable naval reserve it must help to make and keep the entire industry prosperous. Those of our deep-sea fishermen who still remain possess the same peculiar value to the Nation. No community of like size in the country contributed one-tenth so many first-class recruits to the Regular Navy of the United States in the War with Spain as did the famous town of Gloucester. Though the call did not come until the fishing fleets had sailed, Gloucester mustered several hundred fine, able-bodied seamen, and it is especially significant that 76½ per cent of the men offered at Gloucester were acceptable in intelligence and physique, while of the general applicants at Boston only 14½ per cent and of those at New York only 6 per cent were found qualified for the severe requirements of the naval service.

POLICY OF OTHER NATIONS.

France and Japan both pay what is in effect a naval bounty to their deep-sea fishermen. Canada gives to her vessels and men annually \$160,000 American money, the proceeds of the Halifax award. Great Britain includes the hardy fishermen of Newfoundland in her naval reserve, paying retainers and furnishing instruction. The British reserve altogether—merchant seamen and fishermen—consists, exclusive of officers, of upwards of 30,000 men, who each receive annual retainers of from \$15 to \$50. The method adopted in the proposed bill is therefore not only in harmony with American traditions, and indeed founded on authoritative precedent, but is in accord with the practice of the chief maritime powers of the world.

THE VIEWS OF JEFFERSON.

Mr. Jefferson had both merchant marine and fisheries in mind when, in December, 1793, he wrote these memorable words to the House of Representatives:

"Our navigation involves still higher considerations. As a branch of industry it is valuable, but as a resource of defense essential.

"Its value, as a branch of industry, is enhanced by the dependence of so many other branches on it. In times of general peace it multiplies competitors for employment in transportation, and so keeps that at its proper level; and in times of war—that is to say, when those nations who may be our principal carriers shall be at war with each other, if we have not within ourselves the means of transportation, our produce must be exported in belligerent vessels, at the increased expense of war freight and insurance, and the articles which will not bear that must perish on our hands.

"But it is as a resource of defense that our navigation will admit neither neglect nor forbearance. The position and circumstances of the United States leave them nothing to fear on their land board, and nothing to desire beyond their present rights. But on their seaboard they are open to injury, and they have there, too, a commerce which must be protected. This can only be done by possessing a respectable body of citizen seamen, and of artisans and establishments in readiness for shipbuilding." (Report of Thomas Jefferson, Secretary of State, to the House of Representatives, Dec. 16, 1793. "The Writings of Thomas Jefferson," edited by H. A. Washington, Vol. VII, p. 647.)

The wisdom and force of this historic statement will be as gratefully recognized now, as they were then, by Mr. Jefferson's fellow countrymen.

NEW OCEAN MAIL ROUTES.

Wherever throughout the country the commission has held its hearings the evidence has been unanimous in favor of the principle of the present ocean mail act, approved March 3, 1891, and a very earnest desire has been expressed for its extension. When this law was passed the rates of compensation originally proposed were cut down about one-third by Congress. Experience has amply proved that this reduction was an error, for though the older American mail lines have been sustained and developed by the law of 1891 and a few

new lines have been created, yet the law has not sufficed to give the United States a complete system of mail communication with the great ports of the world and the chief markets for American merchandise. The American ocean mail lines now operating under contracts provided by the law of 1891, and the compensation received in the fiscal year 1904, are stated by the Superintendent of Foreign Mails as follows:

American Line, New York to Southampton.....	\$690, 483. 20
Oceanic Line, San Francisco to Australasia.....	283, 203. 00
New York and Cuba Mail, New York to Cuba and Mexico.....	206, 082. 00
Red D Line, New York to Venezuela and Dutch West Indies.....	103, 325. 00
American Mail, Boston and Philadelphia to Jamaica.....	92, 748. 00
Total.....	1, 375, 841. 20

NO CHANGE IN EXISTING LINES.

In the proposed bill not one dollar is added to the expenditure for any one of these five established contract lines. They are left exactly as they are at present, fulfilling, under the law of 1891, their agreements with the Government.

Moreover, this law of 1891 is not repealed, and it is not amended except as to certain specific new routes to be established and the new requirement of naval volunteers. Contracts authorized on these new routes are to be made in general in the manner provided for under the existing law, which has stood the test of almost 14 years of actual experience.

But in one important particular the law of 1891 has undeniably failed. Its reduced compensation has not sufficed to establish contract mail lines to the greater countries of South America, to Central America, to Africa, or to the Orient. Therefore the commission recommends in the proposed bill a substantial increase of compensation on certain specified routes where American steam service will be most likely to increase the foreign markets for American merchandise. These new routes are:

"THE NEW SERVICES.

"First. From a port of the Atlantic coast of the United States to Brazil, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$150,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$300,000 a year.

"Second. From a port of the Atlantic coast of the United States to Uruguay and Argentina, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$375,000 a year.

"Third. From a port of the Atlantic coast of the United States to South Africa, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$375,000 a year.

"Fourth. From a port of the United States on the Gulf of Mexico to Brazil, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$137,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$275,000 a year.

"Fifth. From a port of the United States on the Gulf of Mexico to Cuba, on steamships of the United States of not less than 14 knots speed, for a semi-weekly service at a maximum compensation not exceeding \$75,000 a year.

"Sixth. From a port of the United States on the Gulf of Mexico to Central America, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$75,000 a year.

"Seventh. From a port of the United States on the Gulf of Mexico to Mexico, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$50,000 a year.

"Eighth. From a port of the Pacific coast of the United States, via Hawaii, to Japan, China, and the Philippines, on steamships of the United States of not less than 16 knots speed, for a monthly service at a maximum compensation not exceeding \$300,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$600,000 a year.

"Ninth. From a port of the Pacific coast of the United States to Japan, China, and the Philippines, on steamships of the United States of not less than 13 knots speed, for a monthly service at a maximum compensation not exceeding \$210,000 a year; or for a fortnightly service, at a maximum compensation not exceeding \$420,000 a year.

"Tenth. From a port on the Pacific coast of the United States to Mexico, Central America, and the Isthmus of Panama, on steamships of the United States of not less than 12 knots speed, for a fortnightly service at a maximum compensation not exceeding \$120,000 a year.

"*Provided*, That the requirements of this section as to the rates of speed shall be deemed to be complied with if said rates are developed during a trial of four hours continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair and just one, and if the vessels are maintained in a condition to develop such speed at any time while at sea in ordinary weather. This trial shall be made under the direction and supervision of a board of naval officers which the Secretary of the Navy shall appoint upon the application of the owner or owners of the vessel to be tested."

FOLLOWING TRADE ROUTES.

It will be recognized that in every instance these proposed lines follow natural and important trade routes, and that several of them are valuable, not only for the commercial, but for the political relation which a regular American steamship service will assuredly promote.

The United States is Brazil's best customer. Nearly all of our imports from that country are on the tariff free list. We have also a considerable commerce with the countries farther south. Our interest in the welfare of these great American Republics is such that it is manifestly unjust and intolerable that not only must American traffic with Brazil and Argentina come and go in inferior and uncertain foreign ships, but that American merchants, and even the officers of our diplomatic, consular, and naval service must be forced to cross to England in order to secure first-class passage to Rio Janeiro and Buenos Ayres. So eager are Brazil and Argentina to gain regular and adequate steam communication with the United States that they have even intimated that they would defray part of the cost of the undertaking.

Our exports to South Africa are now upward of \$30,000,000 a year—almost entirely conveyed by foreign shipping. An American mail line to Cape Town and other ports, composed of capacious steamers of moderate speed, has been requested by American merchants interested in the trade, and is justified by every consideration of commercial prudence.

FOUR NEW GULF ROUTES.

Three of the ten new mail-steamship lines proposed are to have their origin on the Atlantic coast; four of the ten on the Gulf of Mexico. The commission thoroughly believes that this liberal recognition of the Gulf ports is demanded

by their present, and still more by their future, commercial importance. Galveston, New Orleans, Pensacola, Mobile, and the other commercial cities of that great coast line have excellent harbors, steadily improving rail connections, and behind them the productive wealth of the Mississippi Valley and the mighty Southwest. These Gulf ports ought, in all national equity, to have an American steamship line of their own to South America. They ought to have their own connections under the United States flag with Mexico and the West Indian Archipelago. They are assured of these new steamship services through the specified mail routes of the proposed bill, and they will be enabled to create other commercial lines and to launch and run individual ships under the broader terms of the naval subventions.

THE GULF'S GREAT OPPORTUNITY.

In spite of climatic advantages, and the nearness of timber, iron, and coal, there is not to-day one large modern shipyard on the whole range of the Gulf of Mexico. The foreign vessels that now convey the commerce of Galveston, New Orleans, Pensacola, and Mobile are built abroad, repaired abroad, manned abroad, supplied abroad. Even the few of these foreign vessels which American capital owns employ almost no American labor.

This proposed legislation, in its mail and naval subvention sections, gives the Gulf States assurance of a new and important industry, absolutely essential to them if they are to realize to the full the magnificent advantages opened by the great Isthmian Canal. Under this proposed legislation, the Gulf cities can build their own ships, officer, and largely man them—thus giving their boys a new field of employment—repair their own ships and supply them with their own materials, and thus keep at home all the profits of their ocean trade that now go over the sea to Liverpool, London, Hamburg, Bremen, Havre, Marseille, Trieste, and Genoa.

The Isthmian Canal, built by American money, will bring not pride, but humiliation, to the American people if it floats, in foreign commerce, only foreign and no American ships.

THREE PACIFIC LINES.

Three of the ten contract mail lines of the proposed bill are on the Pacific Ocean. Like the Atlantic and Gulf services, they follow natural trade routes of large present and larger future importance. As the President of the United States said in the annual message to Congress, in which he recommended the creation of this commission, "The establishment of new lines of cargo ships to South America, to Asia, and elsewhere would be much in the interest of our commercial expansion." Two new contract lines of mail and cargo steamers are therefore proposed in the accompanying bill, not only to Japan and China, but to the Philippines. These are very long routes, and in the Pacific coal is costly. It has thus been necessary to set the trans-Pacific subventions at a figure that may seem high, but that is not high considering the expense and the importance of the service.

Indeed, the commission must say that it has not yet received any intimations that the offered subventions would secure a trans-Pacific service on either route, although there is satisfactory proof that the Atlantic and Gulf subventions will attract proposals from responsible bidders.

The need of regular mail and commercial service on the third Pacific route, from the western coast to Mexico, Central America, and the Isthmus of Panama, is unmistakable. No like subvention is offered on the Atlantic side, because the Panama Railroad Co. already operates an American steam line under domestic postal contract from New York to Colon, and this has passed with the canal property into the possession of the United States Government.

NEARLY ALL NEW ROUTES.

As a rule, the ten new ocean mail routes specified in the proposed bill must be created from the beginning—not only the lines, but the ships themselves. There is not one American steamer now running to Brazil, not one to Argentina, not one to South Africa. On the four Gulf routes but one American steamer is now found—on the short line to Cuba. In the Pacific Ocean the situation is somewhat different. A service from San Francisco to China, Japan, and the Philippines is now maintained by five American steamers of the Pacific

Mail and three British steamers of the Occidental & Oriental Co. If the Pacific Mail were to seek the proposed contract, the three British vessels would have to be displaced by new ships of American construction. There is not now, therefore, an "existing line" on this San Francisco route as the proposed bill contemplates such a service.

Out of the ports of Puget Sound only two American steamers of the liner type now run to the Orient and the Philippines. Four other ships of at least equal size and speed would have to be secured to provide a contract service. On this northern route also there is no "existing line" such as would be required by the proposed subvention.

A COMPARISON OF RATES.

As to the maximum compensation offered, of \$420,000 per annum, for six American steamers on this northern route, it must be compared with the \$291,000 given to three steamers of the competing British line out of Vancouver—smaller ships, though fast, and of less commercial value than the large Americans.

This subvention of \$420,000 for six American steamers is to be compared also with the \$330,000 given to three steamers of the exactly parallel Japanese line from Puget Sound to the Orient.

As to the other trans-Pacific subvention of \$600,000 for seven or eight American steamers, it is comparable with \$600,000 received by three Japanese steamers of a smaller type in direct competition out of San Francisco.

Whatever criticism may be made of the two trans-Pacific subventions of the proposed bill, it can scarcely be urged that, judged by foreign standards, they are unreasonable and excessive.

THE ATLANTIC SUBVENTIONS.

On the Atlantic the maximum subvention of \$300,000 offered for the first Brazil line is about twice the amount granted under the present law, which has absolutely proved to be inadequate. The British Royal Mail service to the West Indies and South America received at first \$1,200,000 and then \$1,350,000 a year, but on the final successful establishment of the line the amount was gradually reduced. It is now about \$400,000 for a double service to the West Indies, Brazil, and Argentina, but a new West India line has lately been started with a subvention of \$200,000.

The proposed subvention to the new American line to Argentina is set at \$375,000 a year—the distance being greater than to Brazil. It has not seemed feasible to unite these South American services, for such mail as is now carried to Brazil or to Argentina by slower foreign steamers goes to one country or the other direct. The distance to South Africa is greater than to Argentina, but the required speed is less, so that a subvention of \$375,000 is not inequitable.

On the Gulf-Brazil route the subvention is set at \$275,000, or \$25,000 less than on the North Atlantic route, but the stipulated speed is 2 knots lower, which is not an unfair balance. The subventions of \$75,000 for the Gulf-Cuba line and the same amount for the Gulf-Central American line and of \$50,000 for the Gulf-Mexico line are relatively small amounts, but the distances are short, the ships required are not large, and good steam coal is available.

The exact tonnage of the steamships on these new mail routes is not specified in the proposed bill. That is a detail which can best be left to the shipowner and merchant, who know best what a given trade demands and justifies.

NO "OCEAN GREYHOUNDS."

Frankly, these proposed new mail subventions do not look to the creation of an "ocean greyhound" class. Almost the only "greyhounds" in the world are to be found on a few North Atlantic lines to Europe. It has seemed to the commission that the most useful mail steamships for distant commerce and the mail steamships which the American people most desired at the present time were modern, efficient vessels, combining moderate speed with large cargo capacity. Such are the steamships called for by the mail subventions of the proposed bill. Their speed, it is believed, is adequate but not excessive. Commercial value is nowhere sacrificed to mere record breaking. At the same time, the stipulated speed is believed to be always at least equal, and in most

instances superior, to the average rates of foreign steamers now running in the same or similar services.

For example, only two of all the foreign vessels that last year received United States mails at New York for South America possess even a nominal speed of 14 knots, the rate required from all the new ships of our proposed lines to Brazil and Argentina. Foreign steamers from New York to South Africa are now of from 8 to 11 knots, and 10 knots is above the average speed of the foreign craft now trading within the Gulf of Mexico.

On the trans-Pacific routes, the fastest ships now afloat are American built, and belong to the Pacific Mail Co. The required speed for steamers on the North Pacific line (13 knots) is 3 knots less than via the Hawaiian line, but the northern route is the shorter to the Orient, and the winter voyages are often too rough and stormy for high speeding. The three British North Pacific liners are nominally of 16 knots, but it is understood that they are never driven to their maximum.

A NAVAL RESERVE FLEET.

Just as is required by existing law, whose safeguards are in no way relaxed, the contracts for the new ocean mail routes of the proposed bill must be awarded, after public advertisement, in free and fair competition, to the lowest responsible bidder offering terms satisfactory to the Post Office Department, and the ships offered can receive no other subvention or bounty from the United States. As required by existing law, the new mail steamships must be built under naval inspection and the faster of them must be strengthened to mount powerful guns as armed auxiliary cruisers, while the slower vessels serve as equally indispensable transports or supply ships. The speed of all must be tested on an official trial and certified by the Navy Department, and all these mail ships, of any speed, must be held at the disposal of the Government in war. Moreover, they must all carry a quota of men and boys of the naval volunteers. Thus there is guaranteed a new naval reserve of both ships and seamen, and an important reinforcement not only of the commercial power but of the defensive power of the United States.

NO NEW DEPARTURE.

The general method of the proposed bill in its mail subventions involves no new departure from the established practice of the Government. These mail subventions are not in any opprobrious sense a subsidy or bounty. They are granted frankly in compensation for public services rendered and to be rendered. As far back as 1841, the year after the Cunard Line appeared with its British mail contract, Senator Thomas Butler King, of Georgia, began his memorable and successful advocacy of national encouragement to American mail lines on the North Atlantic. Mr. King was ably supported by Senator Thomas J. Rusk, of Texas, and in an annual message to Congress President Polk urged:

"The enlightened policy by which a rapid communication with the various distant parts of the world is established, by means of American-built steamers, would find an ample reward in the increase of our commerce and in making our country and its resources more favorably known abroad; but the national advantage is still greater—of having our naval officers made familiar with steam navigation, and of having the privilege of taking the ships already equipped for immediate service at a moment's notice, and will be cheaply purchased by the compensation to be paid for the transportation of the mail, over and above the postage received. A just national pride, no less than our commercial interests, would seem to favor the policy of augmenting the number of this description of vessels."

OUR EARLIER LEGISLATION.

In 1845 and 1847 Congress passed acts offering a subvention for an American ocean mail service from New York to Havre and Bremen. A new line of American-built steamships was immediately established. A second subvention created the celebrated Collins Line from New York to Liverpool, and other subventions created an American steam service to the West Indies, to the Isthmus of Panama, and from the Isthmus northward in the Pacific Ocean.

As a result of this enlightened statesmanship, the United States from 1850 onward for several years built more ocean steamships than Great Britain did,

and better steamships, superior in size, speed, power, and commercial value. There were some lamentable disasters at sea in this period, to remind the world that even steam had not conquered the perils of the ocean, but on the whole the advantage in safety and efficiency as well as in mercantile success remained with the ambitious and progressive builders and seamen of America.

This national policy, thus approved, would doubtless have continued unbroken to the present day but for the fierce and deplorable sectional quarrel in Congress that immediately preceded the Civil War. This ended the rebuilding of our steam lines for the same reasons and in the same way that it abruptly checked the upbuilding of the Navy. In the white heat of this quarrel the mail subventions were withdrawn, and the north Atlantic steamships, struggling hard with subsidized British rivals, were abandoned.

It is sometimes said that this national effort to create a steam fleet by mail subventions failed of its purpose. But it failed only because the effort was given up in the very crisis of the contest. A few years more would probably have made our steamships as securely masters of the north Atlantic as our packet ships and clipper ships had been before them. Even as it was, the ending of the subventions did not break our grip upon the West Indies, the Isthmus, and the Pacific. We had gained there a foothold which our steamships have retained to the present time.

GENERAL PRINCIPLES THE SAME.

The general principles of the ocean mail legislation of 1845-1858 were renewed in the ocean mail law of 1891, which for nearly 14 years has stood unchallenged. It is worth recalling that the performance of the most important contract ever concluded under this act was begun during the second administration of President Cleveland. The ocean mail sections of the proposed bill simply strengthen the existing act on lines where it has happened to prove inadequate. There is no departure from the method, and none from the purpose, of American ocean mail legislation of 60 years. But there is a distinct increase in the amount of public service required from the ship-owners, and the safeguards surrounding the contracts are greater than ever before.

THE TONNAGE-TAX PROPOSITION.

There now remains to be considered the fourth and last feature of the proposed bill. That is a plan, outlined in section 8, to increase the tonnage taxes on all vessels, American and foreign, now entering our ports by sea in the foreign trade.

Tonnage taxes are practically the only Federal charges levied on shipping in American ports, for entry and clearance fees, etc., are too small to be considered. The present rates of tonnage taxes in the United States are lower than those of the principal maritime nations, and very much lower than the rates of some of those nations. Such charges are sometimes called "light dues," and their original purpose here as abroad was to provide from shipping a fund for lighting the coast for the benefit of shipping. Thus, during the year 1903, the light dues collected in the United Kingdom amounted to £548,196, while the expenses of the British lighthouse establishment were £499,404. From light dues, accordingly, the British Government met all cost of lighting the coasts of the United Kingdom, and had a surplus of nearly \$250,000 a year to add to an accumulated surplus for other years of nearly \$2,000,000.

The commission believes that, with entire propriety, a similar general principle may be adopted in the United States. Our receipts from tonnage taxes in 1903 were \$885,841, while the expenses of our lighthouse establishment were \$4,538,105. The commission does not propose to raise from tonnage taxes an amount sufficient to meet the entire cost of the lighthouse establishment for several reasons:

First. A relatively small part of our lighthouse establishment expenditures is for the rivers and the Great Lakes. Shipping is here in competition with the railroads, and a Federal charge ought not to be imposed on vessels from which railroad traffic is necessarily exempt.

Second. To an extent the same is true of the coasting trade. We have reserved our coasting trade to vessels of the United States, and for more than 20 years it has been the policy of the Government to pay out of the public funds many of the charges to which American vessels are subject. Accordingly for many years our coasting trade has been exempt from tonnage taxes.

The coasting trade of Great Britain, on the other hand, and of some other foreign nations, is not a reserved trade, being open freely or conditionally to the vessels of all nations. Such countries accordingly with propriety levy tonnage or light dues on vessels in the coasting trade.

NOT AN UNFAIR CONTRIBUTION.

The commission believes that the sum of \$3,000,000 is not an unreasonable contribution on the part of vessels in the foreign trade toward the maintenance of our national lighthouse, buoy, and beacon system, which this year will doubtless cost about \$5,000,000, and the rates proposed in section 8 of the bill have been adjusted so as to produce as nearly as may be that sum.

To raise this amount of revenue the maximum charge proposed on any entry is 16 cents, an amount lower than the corresponding rates charged by France or Italy, though nominally double the rates charged by Hamburg and Bremen. At these two principal seaports of the German Empire, however, the rate of practically 8 cents is imposed at every entry (with a slight diminution at Hamburg), while this bill provides that the tonnage taxes shall be imposed on only 10 entries during a year.

The bill preserves the distinction in the present law by which vessels entering from ports belonging geographically to the North American system pay one-half the rates of vessels entering from the more remote parts of the world. A geographical distinction similar in principle is observed by most maritime nations either directly or indirectly in the imposition of light dues or tonnage duties.

The proposition of the commission further repeals the inexplicable misapplication of the principle of reciprocity to tonnage taxes found in sections 11 and 12 of the act of June 19, 1886. In brief, these sections provide that vessels shall be exempt from tonnage taxes in the United States on condition that in the ports from which they come no tonnage taxes or light dues or equivalent taxes are imposed on American vessels. If American vessels had a reasonable share in the trade of the world this system might be justified in theory, though in practice the revenue requirements of most nations would not permit of its application.

With the ocean carrying trade of the United States, however, almost entirely in the hands of foreign shipowners, this so-called reciprocity system is indefensible. In 1903, for example, American vessels paid in the United States in round numbers \$72,000 in tonnage duties, while foreign vessels paid \$810,000. Complete reciprocity, therefore, under this law would have given foreign vessels the benefit of \$12 exemption for each \$1 exemption secured to American vessels. The exemption in foreign ports would be in the same proportion, but the amounts would be considerably larger.

THE MARINE-HOSPITAL SERVICE.

The bill also repeals section 15 of the act of June 26, 1884, by which the proceeds from duties on tonnage heretofore have been devoted to the Marine-Hospital Service. The commission realizes the excellent work, the progressive spirit, and the scientific methods of the Public Health and Marine-Hospital Service. It is to be observed, however, that the character of this service has been materially changed by the legislation of recent years. Its functions have been extended from those of a purely maritime service to a national public-health service, and it seems proper, therefore, that its expenses should hereafter be met by direct appropriations in the same manner as that by which the Government provides for other general services.

Furthermore, the marine hospitals are maintained for the benefit of seamen on American vessels, and seamen on foreign vessels treated at these institutions are charged a moderate sum. As over 90 per cent of our tonnage taxes are paid by foreign vessels it does not seem just that this fund should be set apart as at present for the exclusive benefit of our own crews.

A REMISSION IN BEHALF OF BOYS.

It has been explained that the increase in tonnage taxes made in section 8 of the proposed bill falls alike on an American or a foreign ship that enters a port of the United States in foreign commerce. The chief maritime power in the world, the one that has been most successful in developing a strong naval

reserve of merchant officers and seamen, and the one great power, moreover, that resembles the United States in dependence for naval strength on voluntary enlistments, has for several years followed a practice of remitting a part of its tonnage taxes to those of its own vessels that train boys for the merchant service and the navy.

The commission would invite especial attention to section 6 of the British merchant shipping act of 1898:

"On proof to the satisfaction of the board of trade that a British ship has during any fiscal year carried, in accordance with the scale and regulations to be made by the board of trade, with the concurrence of the treasury, boys between the ages of fifteen and nineteen, there shall be paid to the owner of the ship, out of moneys provided by Parliament, an allowance not exceeding one-fifth of the light dues paid during that year in respect to that ship: *Provided*, That no such payment shall be made in respect of any boy unless he has enrolled himself in the royal naval reserve and entered into an obligation to present himself for service when called upon, in accordance with rules to be issued by the Admiralty. The scale and regulations aforesaid may be modified from time to time by the board of trade, with the concurrence of the treasury.

"This section shall continue in force until the thirty-first day of May, one thousand nine hundred and five, and no longer, unless Parliament otherwise enact."

AN EXCELLENT PRECEDENT.

No protest against this remission of British tonnage taxes exclusively in favor of British ships has ever been made by the United States, because it is manifest that these ships have earned a fair title to especial national consideration through the rendering of an especial service to the Government. The education of these young seamen is rightly regarded as an important contribution to the national defense.

The commission, therefore, has provided, in section 9 of the proposed bill, for a remission of a part of the tonnage taxes—amounting to 80 per cent of the increased rate—to American ships that carry a certain number of boys who are suitably trained in seamanship or engineering, and are either enrolled as naval volunteers or indentured as apprentices.

The report of the commission has already emphasized the great importance of the personal equation in this urgent problem of the merchant marine. The thorough seaman must begin his calling as a lad, when his elasticity and adaptability are greatest. Few men remain at sea who first go when they are over 25 years of age. The encouragement offered to the training of American boys is purposely made a conspicuous part of this proposed legislation. For if a larger American merchant marine is to be created it will have imperative need of the pluck, energy, and determination of boys like those who crowded our new regiments in the War with Spain, but quit when the fighting was over, to go into machine shops, or to try railroading in the West, or prospecting in Alaska or South Africa or the Philippines, or any other adventurous outdoor life, with plenty of hardship and danger and some chance of profit.

AN UNEXAMPLED LIBERALITY.

No nation in the world has drawn on its treasury so freely as the United States for the improvement of rivers and harbors and the maintenance of an unequalled lighthouse, buoy and beacon, and life-saving service. The national expenditures on rivers and harbors from 1888 to 1904 reached the enormous sum of \$261,082,852; for lighthouses, for buoys, etc., \$23,320,086; and for the Life-Saving Service, \$11,657,952—a total for these maritime purposes of \$296,060,890—while in all this time the foreign shipping interests, for whose benefit, largely, these heavy expenditures were made, returned only \$10,458,996 in tonnage taxes.

Some of our expenditures for rivers and harbors, lighthouses, etc., have of course been on the Great Lakes or rivers of the interior, where foreign vessels seldom or never go, but by far the largest part of these disbursements has been made in navigable waters on or adjacent to the ocean. The costly deepening of harbors has especially inured to the benefit of foreign ships, for coastwise commerce, as a rule, has not required it, and the number of heavy-draft American vessels in the foreign trade is trivial. Only six American steamships of 10,000 tons gross register or upward now run in the trade of the Atlantic seaboard, and they all go out of the port of New York.

Our liberal river and harbor appropriations have always, as one sure result, enabled great foreign steamship companies to build immense craft and thereby increase their dividend rate per ton with the cordial assistance of the United States Treasury. No other Government in the world has displayed such eager altruism in opening channels for the almost exclusive use of foreign flags. Meanwhile, the few American ships that visit foreign waters have been met there by tonnage, lighthouse, dock, and other charges, almost invariably higher than—indeed, often several times as high as—the charges on foreign ships in deep and secure American seaports.

This anomalous condition of affairs points straight to the necessity of an immediate revision of our tonnage-tax system. The commission believes that in the proposed bill it has offered a method of providing increased revenue from tonnage, that, while just to the United States, is not unfair to the ships of foreign governments, long the chief beneficiaries of our generous policy of maritime expenditure.

ESTIMATED COST OF THE PROPOSED LEGISLATION.

As to the important practical question of the cost of the proposed legislation, the average of the annual retainers provided in section 1 of the bill for officers and seamen of the naval volunteers would be close to \$50 each. It is probable that in the first year no more than 3,000 naval volunteers could be enrolled and qualified—for this process, at first unfamiliar, will necessarily be slow. These naval volunteer retainers, therefore, for the fiscal year ending June 30, 1906, would call for a maximum expenditure of \$150,000.

As to the subvention for the ships themselves, the total registered gross tonnage of the United States, steam and sail, on June 30, 1904, was 888,628 tons. But it is well known that all this tonnage was not actually engaged in foreign commerce. Many steamships whose employment is really coastwise, sail under register because they happen to touch at one foreign port. For instance, eight ships, of a total of 52,857 tons, of the American-Hawaiian fleet are registered, though engaged regularly in trade between New York, San Francisco, and Hawaii. Other vessels sail under register for similar purposes of convenience, including many small steam craft running to Alaska and on the Yukon River.

The actual foreign-going steam tonnage of the United States is easily ascertainable. It can be selected, ship by ship, from the short list of registered steel and iron steam vessels of above 1,000 tons. Smaller craft than these, or wooden craft of any size, are not likely to make a serious effort in foreign commerce. But from this list of registered steam vessels must be excluded—

(1) Twenty steamships of 107,385 tons now employed on mail lines under the law of March 3, 1891, which forbids them, under the terms of the proposed bill, to receive any other bounty or subvention.

(2) Steamships of a speed and character available for the new ocean mail routes proposed in the present bill—these numbering 19 of 151,442 tons.

This process of elimination leaves 44 steamships of 203,871 gross tons now registered in the United States and qualified to receive the subvention of \$5 a ton provided for in section 2 for ships engaged in foreign trade by sea for 12 months in a year. This steam fleet, therefore, would require in subventions the sum of \$1,019,355.

Besides this registered steam tonnage there are 150 registered American square-rigged sailing vessels of 200,000 gross tons. These vessels are now employed partly in long coastwise and partly in foreign voyages. It may safely be assumed that one-half of this square-rigged tonnage, under the encouragement of this bill, will engage for six months and one-half for nine months in foreign commerce, requiring, therefore, subventions at the six months' rate of \$250,000 and at the nine months' rate of \$400,000, or \$650,000 in all.

The schooners registered on June 30, 1904, for foreign commerce were 700, of 150,000 gross tons. But it is well known alongshore that few schooners engage exclusively in the foreign trade, for they go intermittently from coastwise to foreign carrying. Assuming that the subventions offered by this bill to the vessels themselves and to their officers and seamen will move the schooners to much larger participation in foreign trade—to the extent for the whole fore-and-aft fleet of six months in a year—the 150,000 tons of fore-and-aft shipping will require total subventions of \$375,000. There were on June 30, 1904, 567 enrolled vessels of 48,982 tons engaged in the deep-sea fisheries—small licensed craft below 20 tons not being included. This total deep-sea fishery tonnage of, in round numbers, 50,000 tons would on the average call

for subventions at the nine months' rate of \$4 per ton, which would amount for the year to \$200,000.

The approximate cost of the proposed legislation in sections 1 and 2 for the first fiscal year, from July 1, 1905, to June 30, 1906, may, therefore, be summarized as follows:

Annual retainers to naval volunteers (3,000).....	\$150,000
Subventions to 44 registered steamships of 203,871 tons at 12 months' rate of \$5 per ton.....	1,019,355
Subventions to 100,000 tons of square-rigged sailing vessels at 9 months' rate of \$4 per ton.....	400,000
Subventions to 100,000 tons of square-rigged sailing vessels at 6 months' rate of \$2.50 per ton.....	250,000
Subventions to 150,000 gross tons of registered schooners at 6 months' rate of \$2.50 per ton.....	375,000
Subventions to 50,000 tons of deep-sea fishing vessels at 9 months' rate of \$4 per ton.....	200,000
Total.....	2,394,355

For the first year the increased tonnage taxes provided for in section 8 of the proposed bill would furnish a total revenue of \$3,025,529, out of which there would be remitted to American vessels carrying the required quota of boys—naval volunteers and apprentices—the amount of \$210 320.

THE COST OF NEW OCEAN MAIL ROUTES.

The maximum subventions required for the complete service on the 10 new ocean mail routes authorized by the proposed bill amount to \$2,665,000. This is the expenditure which must not be exceeded, but as the contracts are to be let to the lowest responsible bidders it is possible that the actual final cost may be considerably less than this. However, assuming that \$2,665,000 is the maximum, it may be said in the beginning that this full expenditure can not be reached for at least three years, for the majority of the 10 new mail routes provided are absolutely new. There are, for example, no American ships whatever now running on the routes to Brazil or Argentina or South Africa, or in the Gulf of Mexico to Mexico and Central America. Moreover, there are few steamships now in existence in the United States qualified for this service, especially for the long lines southward beyond the Equator. Nearly all of the tonnage required for these mail routes in the Atlantic, and a large part of that required in the Pacific, will have to be designed, launched, and completed, and fully three years will be necessary for this undertaking.

Even assuming that the few steamships that could be adapted to this mail service will be diverted from their present use, no more than one-fourth of the maximum of \$2,665,000, or \$666,250, could in all probability be expended on the new mail routes within the first fiscal year.

The United States is now paying a considerable sum of money for the carrying of ocean mails, on the weight basis, to American and foreign steamers on the new proposed mail routes. This sum amounted to \$158,401.46 in the fiscal year ending June 30, 1904. At least two-thirds of this, or about \$100,000, will be saved when the new mail routes are established, and should therefore be deducted from the maximum estimate of \$2,665,000, leaving a net maximum cost of \$2,565,000.

Moreover, the important fact should be emphasized right here that the United States is the only mercantile nation in the world that makes any profit out of its ocean mail service. Great Britain, for example, takes the entire income from its ocean mails and devotes it, with several million dollars more, to the encouragement of its chief lines of steamships.

The United States, on the other hand, according to the report of the Superintendent of Foreign Mails for the fiscal year ending June 30, 1904, actually made in that year \$2,579,336 beyond the net cost of the service, exclusive of the cost of transferring the articles between the United States exchange post offices and the United States post offices at which they were mailed or delivered. There will be general agreement that at least this apparent profit on the ocean mail service of the United States ought to be turned back to the encouragement of our ocean mail lines, and that is exactly what is contemplated in the mail subvention clause of the proposed legislation. In effect, the annual—not the accumulated—profit from our ocean mail service is hereafter to be devoted to

the upbuilding of American steamship communication with distant markets. Great Britain goes beyond this, and applies to this purpose two or three millions more annually. The United States can at least afford to utilize in this way the full amount of its ocean-mail net income.

The maximum expenditure for the mail service, it should be remembered, can not be reached before the fiscal year beginning July 1, 1908.

The total expenditures for the first year, from July 1, 1905, to June 30, 1906, under the proposed bill, for naval retainers, subventions, and mail subventions, all included, would therefore be:

Naval retainers and subventions-----	\$2, 394, 355
Mail subventions (one-fourth of maximum)-----	666, 250
Total -----	3, 060, 605

As to the probable rate of increase in the expenditures for the naval retainers and subventions to general shipping, it may be said that the proposed legislation would prove satisfactory if it added the second year 3,000 naval volunteers, at a cost of \$150,000, and 100,000 tons of new merchant and fishing tonnage of an effective type, in the ratio of 75,000 tons of steam to 25,000 tons of sail, the cost being \$375,000 and \$100,000, respectively, or a total increase for men and ships of \$635,000—making an aggregate expenditure for the fiscal year ending June 30, 1907, of \$3,029,355.

A JUST MEASURE OF RETALIATION.

An important memorial in regard to discriminating duties, which has been submitted to the commission by commercial organizations of the central northwest, states:

"We believe that a great injury would result if the United States took the initiative in discriminating against the ships or goods of other nations. But if other nations discriminate against our products there should be a swift and severe retaliation. We should not commence commercial warfare, but if others inflict injuries upon us we must not shrink from vigorously protecting our own interests. If Great Britain takes the initiative and discriminates unjustly and injuriously against our agricultural export trade, then there should be invoked the old rule of conduct laid down by our fathers nearly a century ago to meet similar cases of injustice."

This memorial calls attention to the fact that there is nothing in our commercial agreement with Great Britain which could prevent Congress from meeting such a discrimination against our agricultural exports as involved in the proposed policy of Mr. Chamberlain by invoking against British vessels in the indirect carrying trade the retaliation authorized by section 23 of the Dingley law, as follows:

"That no goods, wares, or merchandise, unless in cases provided for by treaty, shall be imported into the United States from any foreign port or place, except in vessels of the United States, or such foreign vessels as truly and wholly belong to the citizens or subjects of that country of which the goods are the growth, production, or manufacture, or from which such goods, wares, or merchandise can only be, or most usually are, first shipped for transportation. All goods, wares, or merchandise imported contrary to this section, and the goods wherein the same shall be imported, together with her cargo, tackle, apparel, and furniture, shall be forfeited to the United States; and such goods, wares, or merchandise, ships, or vessels, and her cargo shall be liable to be seized, prosecuted, and condemned in like manner, and under the same regulations and provisions as have been heretofore established for the recovery, collection, distribution, and remission of forfeitures to the United States by several revenue laws."

As the Dingley law now stands, section 24 provides:

"That the preceding section shall not apply to vessels or goods, wares, or merchandise imported in vessels of a foreign nation which does not maintain a similar regulation against vessels of the United States."

The northwest memorial suggests that there be provided an amendment to section 24 of the Dingley law so that it shall at once be made ready to give full effect to section 23—"to protect any of our national interests against the aggression of maritime nations doing a profitable freighting business with our people by our sufferance. By that means the maritime interests of Great Britain will understand that any injurious discrimination on the part of that Government against our people and goods will result in their exclusion from

our indirect foreign freightage. This may or may not check hostile discrimination against us, but it will compel the consideration that there is more than one side to the proposition and that the injuries which we can and will inflict would counterbalance any possible benefits which that nation might receive by any preferential action against us."

The commission heartily approves this plan for self-protection as outlined by the commercial organizations of the Northwest, and recommends such action to Congress not only in defense of our agricultural interests against a hostile policy, but as a possible and effective method, if we are driven to it, of regaining for our ships an important commerce now all but monopolized by the fleets of our aggressive competitors.

THE TRANSPORT SERVICE.

In the hearings of last summer at Puget Sound and San Francisco it was discovered that mercantile sentiment on the Pacific coast very earnestly demanded the abandonment of the transport service to and from the Philippines, on which the Government had entered, from necessity, in the Spanish War. This transport service has been practically suspended on the Atlantic Ocean; it is only on the Pacific that it has been retained, and there it has been partly discontinued. But several large transports, foreign-built vessels, are still in operation between the Philippines and the Pacific seaboard, conveying not only soldiers but all manner of Government freight and supplies, and even a considerable number of civilian passengers.

In other words, the commission, instructed by Congress, on the recommendation of the President, to investigate the feeble and even desperate condition of the American merchant marine, found that the Government itself was directly and powerfully contributing to the decline of American merchant shipping on the Pacific Ocean by operating rival lines of foreign-built craft and depriving American vessels, in a time of profound peace, of a business to which they were legitimately entitled. Not only this, but it was insisted that the Government was actually conducting this business at a very much higher price than that for which American shipowners were willing to perform the service.

A MATTER OF BOOKKEEPING.

To all of the members of the commission who visited the Pacific coast, this procedure of the War Department appeared to be absolutely indefensible. It is true that in his recent annual report the Quartermaster General of the Army figures out a profit of \$398,236 for the transport service as compared with the rates which commercial steamers would have charged, but this profit, as a matter of fact, is altogether due to a radical difference in bookkeeping methods between commercial steamship companies and the Quartermaster's Department.

Steamship companies, like all other private business enterprises, are compelled to pay taxes, to pay insurance rates—and marine insurance is high—and to make large annual allowances for interest and depreciation. One of the witnesses before the commission at San Francisco was the major and quartermaster in charge of the army transport service there. He was questioned as follows:

"Representative MINOR. Major, have you, in your calculation, made any allowance for deterioration?"

"Maj. DEVOL. No, sir.

"Representative MINOR. Ordinarily, I believe, that is 5 per cent, is it not?"

"Maj. DEVOL. We do not carry that; neither do we carry interest on investment.

Representative MINOR. Then you do not pay any taxes, of course, as shipowners would have to pay?"

"Maj. DEVOL. No, sir.

* * * * *

"The CHAIRMAN. Do you insure the Government property?"

"Maj. DEVOL. We never insure.

"The CHAIRMAN. So you take that risk?"

Maj. Devol further stated that the original cost of the four transports now performing the Manila service "could probably be reckoned at \$4,000,000"—others were being held in reserve. The usual allowance of a steamship company for taxes, interest, insurance, and depreciation would not be far from 15

per cent per annum, or about \$600,000 on these four transports, to say nothing of the fixed charges on the others—charges which the Quartermaster's Department may ignore, but which can not be so lightly treated in the economics of an ordinary business corporation. Of course these charges would convert the profit of the transport service into an undeniable deficit.

COSTLY AS WELL AS UNWISE.

And though these charges may be overlooked, they can not be ignored. Deterioration proceeds as inevitably in the transport as in the liner. Most of these foreign-built transports on the Pacific were by no means new vessels when they were acquired. In general efficiency and economy of operation they are not to be compared with the new American-built commercial steamships which American enterprise has put into service on the Pacific Ocean since the War with Spain. A steamship manager at Seattle testified that his company could have saved the Government \$150,000 in two years if the supplies carried by an old foreign-built transport had been conveyed by his new commercial steamers. Said this witness, Mr. Frank Waterhouse, managing agent of the Boston Steamship Co.:

"I think I can show you that we can carry cargo cheaper than the *Dir*, for this reason if no other. On the *Dir* there is no return cargo from the Philippine Islands. All her cargo is one way. We could not begin to operate our line under any circumstances if we took cargo but one way. Now, we carry cargo both ways. Our average earnings eastbound are fully as much as our average earnings westbound. Of course, that is bound to tell in the cost.

"Representative SPICHT. In that way you are able to carry cheaper than the Government?

"Mr. WATERHOUSE. Certainly; we carry cargoes both ways."

If the same bookkeeping methods by which such factors as taxes, interest, insurance, and depreciation are entirely ignored were applied to other transactions, it could doubtless be proved beyond dispute that the United States Government could not only conduct a steamship business more cheaply than private shipowners, but that it could make steel rails and woolen cloth and boots and shoes at a lower price; that it could mine coal more cheaply, do the country's banking, and operate its railroads. But if the United States Government is to attack any industry as a competitor, it ought in all fairness to select one that is prosperous and robust, and not set up as a rival to an interest that, because of long-continued neglect, is now fighting a veritable battle for existence.

The two American steamship companies which regularly ply across the Pacific to Asia and the Philippines are face to face with overwhelming odds in the large subsidies enjoyed by the parallel lines of Japanese and British steamers. The least that our Government could do to aid these American lines would be to give them the carrying of its own soldiers and their supplies. Neither Great Britain nor Germany maintains a transport service. Both nations find it more satisfactory and economical to make use of their regular commercial steamers, and both nations thereby foster and encourage, in a perfectly legitimate way, the enterprise of their shipowners and merchants. The United States stands alone in denying this assistance to its maritime interests.

SECRETARY ROOT'S VIEW.

For some inexplicable reason, the gradual discontinuance of the transport service of the United States, which Hon. Elihu Root noted and commended in his annual report as Secretary of War in 1902, seems now to have been arrested. Mr. Root spoke of the sale of some transports and the laying up of others, and added:

"In October bids were invited from commercial lines for transportation of passengers and freight for the Army between San Francisco, Portland, Seattle, and Tacoma and Manila until June 30, 1903. A number of bids have been received, but the comparative advantage of operating under them has not yet been worked out, and no contract has been awarded. As rapidly as it becomes apparent that the Government business can be done more economically in any part or as a whole by this method, it is the purpose of the department to follow the same course which has been followed upon the Atlantic in discontinuing the use of Government transports and to put the business in the hands of commercial lines on the basis of open competition.

"I am satisfied that it is practicable for private shippers to do ordinary business much cheaper than it is possible for the Government to do it under the limitations which rest upon Government action, and that they can afford to do the business for less than it costs the Government and still make a profit. At the same time, by following this method, the Government will be aiding to build up regular commercial lines between the Pacific coast and Manila, which is much to be desired."

The commission earnestly indorses this authoritative recommendation, and urges Congress to complete as soon as possible the discontinuance of the transport service, as a measure of economy and a sure and acceptable encouragement to American trade and navigation on the Pacific Ocean. The military power of the United States will be not the loser, but the gainer, by an enlightened policy tending to increase the number of modern American steamships available for use, and to strengthen our commerce with the Orient.

AMERICAN SHIPS FOR THE CANAL TRADE.

A law of the United States requires that only American vessels shall be used for the shipment by sea of all supplies and materials for the Army and Navy, unless the President shall find that the rates of freight are excessive and unreasonable. This is in accord with the regulation or practice of all maritime powers, who never, save in exceptional cases, intrust their public service of this kind to foreign shipowners.

Remonstrances have been sent to the commission by American shipowners on both the Atlantic and Pacific oceans, that foreign vessels were being used to the exclusion of American vessels for the transportation of materials and supplies from the United States to the Isthmian Canal Zone. One case in particular is cited where a considerable amount of lumber was given to the Kosmos Line of German steamers from Puget Sound, though American shipowners offered substantially the same freight rate—the difference being that the German bid was on the basis of the delivery of partial lots, the American of entire cargoes. Shipment in this case was arranged for by the contractors, the Isthmian Canal Commission purchasing the lumber delivered on the Canal Zone. At the time this lumber was given to the German shipowners, a large number of steamers and sail craft were lying idle awaiting charters in Puget Sound. If the lumber in question had been purchased across the frontier in Canada while American mills stood idle in consequence, there undoubtedly would have been sharp complaint from American lumbermen.

Rear Admiral John G. Walker, United States Navy (retired), chairman of the Isthmian Canal Commission, has stated that hereafter contractors for materials will be requested to include in their bids the estimated cost of transportation by both American and foreign vessels.

CARRYING OUR OWN MATERIALS.

The commission believes that the American people, who are building this canal with American money, prefer to have their materials carried in American and not foreign ships, particularly as there is always likely to be plenty of American tonnage available. This delivery of canal supplies, machinery, etc., is a traffic adapted not only to American vessels registered for foreign commerce, but to a large part of the very much greater coastwise fleet on both the Atlantic and Pacific Oceans. There are, all told, 3,244,000 tons of shipping on the Atlantic and 775,000 tons on the Pacific seaboard, and of this a considerable part is composed of capacious seagoing vessels, steam and sail, including scores of general cargo steamships and hundreds of efficient schooners, especially equipped for coal and lumber carrying. Not a few of these vessels are now engaged frequently in trade to the Isthmus and beyond, and with these great fleets available, with hundreds of individual owners, there need be no fear of lack of suitable tonnage, or excessive rates, or combinations to take advantage of the Government.

PROPERLY RESERVED TO OUR SHIPS.

Therefore the commission has prepared and caused to be introduced in the Senate and House of Representatives a bill requiring the use of vessels of the United States, or belonging to the United States, for the transportation of all supplies or materials for the Panama Railroad and the Isthmian Canal, and

also of all supplies or materials for the naval station at Guantanamo. This bill does not extend our coastwise laws to either Panama or Cuba; it raises no delicate question of jurisdiction. It simply directs the use of American vessels for the performance of certain public services. It is a simple, profitable, and effective method of encouraging the American merchant marine, while at the same time protecting certain important public interests. The commission urges the immediate enactment of this measure not only for what it will accomplish, but as a declaration of purpose that the isthmian waterway is to be American in something more than name.

THE RECIPROCITY TRADE WITH CUBA.

In the important reciprocity agreement between the United States and Cuba, not only are valuable exclusive advantages given to Cuban products in the American market through a reduction of customs duties, but similar advantages are secured in the Cuban market to American manufacturers, farmers, and merchants. Only American shipowners, builders, and seamen are forgotten. The Cuban reciprocity treaty contains no recognition whatever of the maritime interests of the United States.

Fortunately it is not even now too late to remedy this oversight. Another treaty governing our general commercial relations with the Cuban Republic remains to be negotiated, and the commission recommends that, as a delayed but none the less merited act of justice to the shipping industry, this commercial treaty should be made to provide for reserving the transportation of this reciprocal commerce to vessels already registered or hereafter built in the United States or Cuba. It is not suggested that the coastwise principle be sweepingly applied, and foreign vessels be excluded altogether from trade between American and Cuban seaports, but rather that the benefits of the reciprocal reduction of duties in either country be granted only to merchandise conveyed in vessels of the contracting Governments. The United States and Cuba have just as good a right to make a reciprocity agreement with regard to their shipping as they have with regard to their manufactures or their agriculture, and broad considerations of equity as well as of prudence demand that such a shipping agreement be concluded as soon as possible.

FOREIGN FLAGS NOW DOMINANT.

At present foreign flags cover the larger part of the transportation between Cuba and the United States. Of total imports from the island, valued at \$62,813,362 in the fiscal year 1903, \$22,490,644, or only 35.80 per cent, were conveyed in American, and \$40,322,718, or 64.20 per cent, in foreign shipping. In the export trade to Cuba American vessels significantly make a better showing. Of total exports to the island, valued at \$21,760,842, \$11,792,402, or 54.19 per cent, were conveyed in American, and \$9,968,440, or 45.81 per cent, were conveyed in foreign shipping. Of the entire commerce between the United States and Cuba, both imports and exports included, valued at \$84,574,204, only \$34,283,046, or 40.54 per cent, were carried in American, and \$50,291,158, or 59.46 per cent, were carried in foreign shipping.

If all of this reciprocal commerce were secured for American and Cuban vessels, in the manner indicated, an important advantage would be gained for the American merchant marine, and not only for the American fleet, but also for the native shipping of Cuba. It is desirable for purposes of defense, as well as for the promotion of commerce, that there should be adequate building and repair yards, proper docks, and a capable and experienced naval reserve of officers and seamen established on the coast of Cuba, as well as on the neighboring Gulf and south Atlantic coast of the United States. These indispensable advantages can never be secured for either the United States or Cuba so long as ships built in Europe, owned there, officered and manned there, and repaired there, dominate the growing trade between the island and the mainland.

The peculiar closeness of the relations between the new Republic and the United States imperatively forbids a longer continuance of European control over the larger part of their means of communication.

THE NORTH ATLANTIC MAIL SERVICE.

None of the new mail routes proposed by the bill runs to a European port. There is nothing in this measure, as has frankly been acknowledged, to encour-

age the building of expensive "grayhounds" for the mail, passenger, and express cargo service to Great Britain and the Continent. The commission has not been forgetful of this important part of our commerce, nor is there any disposition to ignore it, especially as the President of the United States, in his message to Congress recommending the creation of this commission, made significant reference to this very service, saying:

"While such a measure is desirable in any event, it is especially desirable at this time, in view of the fact that our present governmental contract for ocean mail with the American Line will expire in 1905. Our ocean mail act was passed in 1891. In 1895 our 20-knot trans-Atlantic mail line was equal to any foreign line. Since then the Germans have put on 23-knot steamers and the British have contracted for 24-knot steamers. Our service should equal the best. If it does not, the commercial public will abandon it. If we are to stay in the business, it ought to be with the full understanding of the advantages to the country on the one hand, and on the other with exact knowledge of the cost and proper methods of carrying it on."

During the past few weeks the commission has given particular attention to this important phase of the inquiry in its sessions in Washington, and expert engineers, shipbuilders, and steamship managers have been invited to present their views as to the difficult problem of the North Atlantic fast mail and passenger service. But the commission regrets to say that information that would be adequate to guide the action of our Government has not yet been secured.

A COMPLICATED PROBLEM.

The problem, a formidable one at best, is further seriously complicated at the present time by the partial development of the turbine principle in marine propulsion. The two new giant Cunard steamers will be of this type, yet untried on a large scale in transoceanic navigation, though perhaps destined to work almost another revolution in marine architecture. Besides the Cunard ships, two Allan Line steamers of large size, but moderate speed, are being completed in Great Britain for the Canadian mail service, and conflicting reports as to the trial performances of the first of these vessels make a positive recommendation seem all the more premature and ill advised.

Meanwhile, though American builders have thus far produced no large ocean-going turbine steamer, some creditable experimental work has been done in the United States, and some of our own engineers are advancing on original lines toward results that promise to be of the very first importance.

These considerations naturally make the commission all the more reluctant to form conclusions that must be based on European practice, though that practice confessedly has not yet passed beyond the experimental stage. When it is remembered that steam was first practically applied to the driving of both war ships and merchant ships in the United States, that the first steamer that crossed the Atlantic was American, that the first satisfactory use of the screw propeller on a large scale was made here, and that as late as 1860 American-built steamships held on the North Atlantic the same relative position toward other ships as the huge twin Cunarders will hold if they are successful—when all this is recalled, it is not unreasonable to expect that the best marine turbine may yet prove to be wrought out by American technical skill and boldness of invention.

Moreover, the enormous new Cunard subvention of \$1,100,000 for 20 years, combined with the extraordinary liberality of the British Government in loaning to the company at a nominal rate the \$13,000,000 required to build the new ships, introduces another factor that forbids an immediate recommendation to Congress. It is estimated that with the other generous terms of the contract this subvention is worth to the Cunard Line the equivalent of \$2,000,000 or \$2,500,000 a year, which would have to be more than offset in amount to produce a corresponding American ocean mail service—covering the higher range of American ship wages and cost of construction. Manifestly the American people, whatever their final decision may be, would hesitate to embark on such a scale of expenditure as this while the imperative technical question of whether the turbine is to supplant reciprocating engines as the screw propeller supplanted the side wheel is still undetermined.

Therefore the commission, though fully realizing the commercial and political importance of the fast North Atlantic mail service and the value of these great "merchant cruisers" to the national defense, is unwilling at this time to recommend any specific legislation to Congress. But the commission does insist with

the utmost earnestness that the United States can not afford to disregard the mighty transition that seems to be impending in the North Atlantic; a change which, if ignored by our Government, may result in the complete loss of even our present inadequate share of the noblest field of ocean navigation.

Congress owes it to the commercial welfare and the naval security of the country to make provision at once for an especially vigilant study of the North Atlantic steamship service as affected not only by the extraordinary new British subvention, but by the approaching introduction of the turbine high-speed engines on the all-important mail and passenger routes between America and Europe.

URGENT NEED OF IMMEDIATE RELIEF.

In the midst of a general condition of buoyant prosperity the American merchant marine in over-seas trade alone of our great national industries is, and long has been, depressed and declining. The slight temporary increase of registered tonnage, due in large part to causes growing out of the Spanish War, has now come to an end, and the absolute cessation of shipbuilding for ocean commerce shows that the country is on the verge of a swift and heavy shrinkage in the small registered fleet still left to it—a fleet actually smaller by 100,000 tons than that of 1810. If there is to be remedial legislation it must be prompt and energetic. Delay only increases the cost and intensifies the difficulty of the undertaking.

It may be said without exaggeration that there is not a large ocean shipyard in America, and not an ocean steamship company, except the few mail lines operating under the act of 1891, that is not looking to instant and vigorous remedial legislation by Congress as the one hope of its continued existence. Within a few weeks an important shipyard on the Delaware River, after a long and brave fight against adversity, has succumbed and gone into the hands of receivers. This yard has a splendid modern plant, zealous and capable managers, and the prestige of an active career of half a century. The American Government and people may well ask themselves this grave question: Where in a few years can they find solvent shipyards to contract with to build their battleships and cruisers unless the complete paralysis now threatening this great industry is speedily arrested by national laws?

If the passage of the legislation proposed by the commission is postponed to the next session of Congress a condition already desperate will have become still more desperate. The time to act is now. The commission has prepared a conservative measure, aiming to achieve its purpose at a minimum cost, fair to all sections and interests, and directed especially to the strengthening of the national defense and the extension of American commerce to new and distant markets. The commission can see no reason why a cautious measure of this kind, making no large immediate draft upon the national revenues, can not be passed at the present session of Congress.

With all possible emphasis, therefore, the commission recommends that the following bills which will be reported from the commission and introduced into the two Houses of Congress, be taken up promptly, and after reasonable debate advanced to enactment:

A BILL To promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Navy and the Secretary of Commerce and Labor shall cause to be made an enrollment of officers and men now and hereafter employed in the merchant marine and deep-sea fisheries of the United States who may be capable of rendering service as naval volunteers in time of war. No man shall be thus enrolled who is not a citizen of the United States or who has not declared his intention to become a citizen. Any naval volunteer who, having declared his intention to become a citizen, fails to complete his naturalization according to the provisions of title 30 of the Revised Statutes shall be stricken from the rolls. These naval volunteers shall be enrolled for a period of three years, during which period they shall be subject to render service on call of the President in time of war. They shall also possess such qualifications, receive such instruction, and be subject to such regulations as the Secretary of the Navy may prescribe. The Secretary of the Treasury is hereby authorized and directed, upon proper audit, to pay, out of any money in the Treasury not otherwise appropriated, to each officer or

seaman thus enrolled and employed in the foreign trade or deep-sea fisheries, as hereinafter provided, an annual retainer as follows: For each master or chief engineer of a vessel of the United States of 5,000 gross tons or over, \$100; for each master or chief engineer of a vessel of the United States of 1,000 gross tons or over but of less than 5,000 gross tons, \$85; for each master or chief engineer of a vessel of the United States under 1,000 gross tons, \$70; for each mate or assistant engineer of a vessel of the United States of 5,000 gross tons or over, \$70; for each mate or assistant engineer of a vessel of the United States of 1,000 gross tons or over but of less than 5,000 gross tons, \$55; for each mate or assistant engineer of a vessel of the United States under 1,000 gross tons, \$40; for each seaman, \$25; for each boy, \$15. Such retainer shall be paid at the end of each year of service on certificate by an officer, to be designated by the Secretary of the Navy, that the naval volunteer has satisfactorily complied with the regulations, and on certificate by the Commissioner of Navigation that such volunteer has served satisfactorily for at least 6 months of the preceding 12 months on vessels of the United States in the foreign trade or in the deep-sea fisheries.

Sec. 2. That in the interest of the national defense and for the performance of the public services hereinafter specified, after July 1, 1906, the Secretary of the Treasury is hereby authorized and directed to pay, subject to the provisions of this act, out of any money in the Treasury not otherwise appropriated, to the owner or owners of any vessel hereafter built and registered in the United States or now duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof), subventions as hereinafter provided; that is to say, (a) the sum \$5 per gross registered ton for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of 12 months, including time necessarily consumed in making annual or extraordinary repairs; (b) the sum of \$4 per gross registered ton for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of 9 months or over, but less than 12 months, including time necessarily consumed in making extraordinary repairs; (c) the sum of \$2.50 per gross registered ton for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of 6 months or over, but less than 9 months, including time necessarily consumed in making extraordinary repairs: *Provided*, That if, for reasons satisfactory to the Secretary of Commerce and Labor, a vessel is idle for more than one month when not undergoing repairs or receiving or discharging cargo the subvention shall be reduced pro rata.

Sec. 3. That before receiving any subvention under the provisions of this act the owner or owners of any vessel shall contract, in writing, with sufficient sureties, with the Secretary of Commerce and Labor to fulfill each and all of the following obligations:

First. That said vessel may be taken and used by the United States, for the national defense or for any public purpose, at any time, upon payment to the owner or owners of the fair actual value of the same at the time of the taking, or a fair rate of hire to be agreed upon. And if there shall be a disagreement as to such fair actual value or fair rate of hire between the United States and the owner or owners of such vessel, then the same shall be determined by two impartial appraisers, one to be appointed by each of said parties, they to select a third, who shall act in such appraisalment in case the two shall fail to agree.

Second. That said vessel shall carry, free of charge, the mails of the United States, if the Postmaster General shall so require, for the whole or any part of a voyage for which subvention shall be claimed.

Third. That upon each departure of said vessel from the United States at least one-sixth of the crew shall be citizens of the United States, or men who have declared their intention to become citizens.

Fourth. That a vessel employed in the foreign trade shall maintain during the period so employed at least class A1 if a steam vessel and at least class A1½ if a sail vessel, as such classes are now established by either the Record of American and Foreign Shipping or the United Standard Owners, Builders, and Underwriters' Association, or equivalent classification in any other register of shipping of at least equal merit.

Fifth. That all ordinary repair or overhauling of said vessel shall be made in the United States, except in cases where dry docking is necessary and no

dry dock of sufficient capacity shall be within a distance of 500 miles of the location of the ship when the repairs shall be desired.

Sixth. A vessel shall not be entitled to the subvention above provided for unless during the period of employment in the foreign trade or deep-sea fisheries the following proportions of the crew of the vessel after the dates specified shall have been enrolled in the naval volunteers: After July 1, 1907, one-eighth; after July 1, 1911, one-sixth; after July 1, 1916, one-fourth: *Provided*, That if the foregoing stated propositions of naval volunteers can not be obtained at a foreign port with reasonable effort, as certified by the consul, other persons may be substituted until the first return of said vessel to the United States without forfeiture of the subvention.

Sec. 4. That the contracts provided for in section 3 shall be for a period of one year, and shall be renewed from time to time; but no vessel shall receive a subvention under the provisions of this act for a longer period than 10 years. At the expiration of each annual contract the owner of the vessel shall be required to prove to the satisfaction of the Secretary of Commerce and Labor, in such manner as the said Secretary shall prescribe, that its obligations each and all have been satisfactorily complied with. The Secretary of Commerce and Labor shall thereupon certify to the Secretary of the Treasury the amount of subvention to which said owner shall be entitled in fulfillment of said contract and of the provisions of this act, and the Secretary of the Treasury upon proper audit shall thereupon pay the subvention due.

Sec. 5. That the Postmaster General is hereby authorized and directed to enter into contracts, for a term not less than 5 nor more than 10 years in duration, with citizens of the United States for the carrying of mails on steamships hereafter built and registered in the United States, or now duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof), between ports of the United States and foreign ports on the routes, at the rates of speed and for the amounts prescribed in section 6 of this act. All the provisions of the act of March 3, 1891, entitled "An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce," are hereby made applicable in all respects to the services provided for in section 6 of this act: *Provided*, That the specific rates of compensation provided for in section 5 of said act of March 3, 1891, shall not apply to the services provided for in section 6 of this act.

Sec. 6. That as soon as may be practicable, the Postmaster General shall establish in the manner prescribed in section five of the following ocean mail services:

First. From a port of the Atlantic coast of the United States to Brazil, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$150,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$300,000 a year.

Second. From a port of the Atlantic coast of the United States to Uruguay and Argentina, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$375,000 a year.

Third. From a port of the Atlantic coast of the United States to South Africa, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$375,000 a year.

Fourth. From a port of the United States on the Gulf of Mexico to Brazil, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$137,500 a year, or for a fortnight service at a maximum compensation not exceeding \$275,000 a year.

Fifth. From a port of the United States on the Gulf of Mexico to Cuba, on steamships of the United States of not less than 14 knots speed, for a semi-weekly service at a maximum compensation not exceeding \$75,000 a year.

Sixth. From a port of the United States on the Gulf of Mexico to Central America, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$75,000 a year.

Seventh. From a port of the United States on the Gulf of Mexico to Mexico, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$50,000 a year.

Elighth. From a port of the Pacific coast of the United States, via Hawaii, to Japan, China, and the Philippines, on steamships of the United States of not less than 16 knots speed, for a monthly service at a maximum compensation not exceeding \$300,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$600,000 a year.

Ninth. From a port of the Pacific coast of the United States to Japan, China, and the Philippines, on steamships of the United States of not less than 13 knots speed, for a monthly service at a maximum compensation not exceeding \$210,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$420,000 a year.

Tenth. From a port on the Pacific coast of the United States to Mexico, Central America, and the Isthmus of Panama, on steamships of the United States of not less than 12 knots speed, for a fortnightly service at a maximum compensation not exceeding \$120,000 a year: *Provided*, That the requirements of this section as to the rates of speed shall be deemed to be complied with if said rates are developed during a trial of four hours' continuous steaming at sea in ordinary weather in water sufficient depth to make the test a fair and just one, and if the vessels are maintained in a condition to develop such speed at any time while at sea in ordinary weather. This trial shall be made under the direction and supervision of a board of naval officers which the Secretary of the Navy shall appoint upon the application of the owner or owners of the vessel to be tested.

Sec. 7. That all contracts hereafter made pursuant to the act of March 3, 1891, before mentioned, or pursuant to sections 5 and 6 of this act, shall provide that on each voyage the following proportion of the crew shall be enrolled naval volunteers: After July 1, 1907, one-eighth; after July 1, 1911, one-sixth; and after July 1, 1916, one-fourth: *Provided*, That if the foregoing stated proportions of naval volunteers can not be obtained at a foreign port with reasonable effort, as certified by the consul, other persons may be substituted until the first return of said vessel to the United States, without forfeiture of the compensation.

Sec. 8. That a duty of 8 cents per net ton, not to exceed in the aggregate 80 cents per net ton in any one year, is hereby imposed at each entry by sea on all vessels which shall be entered in any port of the United States from any foreign port or place in North America, Central America, the West India Islands, the Bahama Islands, the Bermuda Islands, the coast of South America bordering on the Caribbean Sea, or Newfoundland; and a duty of 16 cents per net ton, not to exceed in the aggregate \$1.00 per net ton in any one year, is hereby imposed at each entry by sea on all vessels which shall be entered in any port of the United States from any other foreign port or place, not, however, to include vessels in distress or not engaged in trade.

Sec. 9. That on proof to the satisfaction of the Commissioner of Navigation that a vessel of the United States has on any foreign voyage carried a boy or boys, a citizen or citizens of the United States, under 21 years of age, suitably trained during that voyage in seamanship or engineering, in the proportion of one for such vessel, and in addition one for each 1,000 tons of her net registered tonnage, there shall be paid to the owner or owners of the vessel, out of any money in the Treasury not otherwise appropriated, an allowance equivalent to 80 per cent of the tonage duties paid in respect of the entry in the United States of that vessel from that voyage: *Provided*, That such payment shall not be made after July 1, 1907, except in respect of any boy who is enrolled in the naval volunteers, or is an apprentice indentured in accordance with law.

Sec. 10. That sections 14 and 15 of the act approved June 26, 1884, entitled "An act to remove certain burdens on the American merchant marine and to encourage the American foreign carrying trade, and for other purposes"; sections 11 and 12 of the act approved June 19, 1886, entitled "An act to abolish certain fees for official services to American vessels, and to amend the laws relating to shipping commissioners, seamen, and owners of vessels, and for other purposes"; section 1 of the act approved April 4, 1888, entitled "An act to amend the laws relating to navigation, and for other purposes"; so much of section 4219 of the Revised Statutes as conflicts with this act, and section 4232 of the Revised Statutes are hereby repealed.

Sec. 11. That this act shall take effect on July 1, 1905.

A BILL To provide for the use of vessels of the United States for public purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That vessels of the United States or vessels belonging to the United States, and no others, shall be employed in the transportation by sea from the United States of all materials, supplies, machinery, and equipment employed on or used for the Panama Railroad or for the construction and operation of the canal across the Isthmus of Panama, and such vessels, and no others, shall be employed in the return by sea to the United States of such materials, supplies, machinery, and equipment.

SEC. 2. That all naval supplies, materials, machinery, and equipment sent to or returned by sea from the naval station at Guantanamo, Cuba, shall be transported in vessels of the United States or vessels belonging to the United States, and no others.

SEC. 3. That any contractor for supplies or materials for use at Guantanamo, or in the Canal Zone, shall comply with the provisions of this statute under penalty of the forfeiture of said materials and supplies brought to or taken from the Canal Zone, or Guantanamo, in vessels other than those of the United States.

SEC. 4. That this act shall take effect 30 days after its passage.

APPENDIXES.

APPENDIX A.

Tonnage of the United States merchant marine employed in the foreign trade, the coasting trade, and the fisheries, from 1789 to 1904.

Year ending—	Foreign trade, registered vessels.	Coasting trade, enrolled and licensed vessels.	Whale fisheries, registered and enrolled vessels.	Deep-sea fisheries, enrolled and licensed vessels.	Total merchant marine.
December 31—	Tons.	Tons.	Tons.	Tons.	Tons.
1789 ¹	123,803	68,607	.....	9,062	201,562
1790 ¹	346,254	103,775	.....	28,348	478,377
1791 ¹	363,110	106,494	.....	32,542	502,146
1792 ¹	411,438	120,967	.....	32,062	564,467
1793.....	367,734	122,071	.....	30,959	520,764
1794.....	438,863	162,578	4,129	23,048	628,618
1795.....	529,471	184,398	3,163	30,933	747,965
1796.....	576,733	217,841	2,364	34,962	831,900
1797.....	597,777	237,408	1,104	40,628	876,912
1798.....	603,376	251,443	763	42,746	898,328
1799.....	657,142	246,640	5,647	29,979	939,408
1800.....	667,107	272,492	3,466	29,427	972,492
1801.....	630,558	274,551	3,085	39,382	947,576
1802.....	557,760	289,623	3,201	41,522	892,106
1803.....	585,910	299,060	12,390	51,812	949,172
1804.....	660,514	317,537	12,339	52,014	1,042,404
1805.....	744,224	332,663	6,015	57,465	1,140,367
1806.....	798,507	340,540	10,507	59,183	1,208,737
1807.....	840,163	349,028	9,051	70,306	1,268,548
1808.....	765,252	420,819	4,526	51,998	1,242,595
1809.....	906,855	405,163	3,777	34,487	1,350,282
1810.....	981,019	406,347	3,580	34,828	1,424,783
1811.....	763,607	420,362	5,299	43,234	1,232,502
1812.....	758,636	477,972	2,930	30,459	1,269,997
1813.....	672,700	471,109	2,942	19,877	1,166,628
1814.....	674,633	466,159	562	17,855	1,159,209
1815.....	854,295	475,666	1,230	36,037	1,368,128
1816.....	800,760	522,165	1,168	48,126	1,372,219
1817.....	804,851	525,030	5,224	64,807	1,399,912
1818.....	589,944	549,374	16,750	69,107	1,225,185
1819.....	581,230	571,058	32,396	76,078	1,260,752
1820.....	583,657	588,025	36,445	72,040	1,280,167
1821.....	583,825	614,845	27,996	62,393	1,288,958
1822.....	582,701	624,189	48,583	69,236	1,324,699
1823.....	600,003	617,805	40,503	78,255	1,336,566
1824.....	636,807	641,563	33,346	77,447	1,389,163
1825.....	665,409	640,861	35,379	81,462	1,423,111
1826.....	696,221	722,330	41,964	73,656	1,534,191
1827.....	701,517	789,159	45,982	89,939	1,620,607
1828.....	757,998	842,906	54,801	85,687	1,741,392
1829.....	592,859	508,853	57,284	101,797	1,260,798
1830.....	537,563	516,979	39,705	97,529	1,191,776
1831.....	538,136	539,724	82,797	107,189	1,267,846
1832.....	614,121	649,627	73,246	102,456	1,439,450
1833.....	648,869	744,199	101,636	111,447	1,606,151
1834.....	749,378	783,619	108,424	117,486	1,758,907

¹ Joseph Nourse, Register of the Treasury, under date of Feb. 1, 1812, stated: "As there were not any accounts kept at the Treasury of the district tonnage of the United States prior to the operation of the acts of 31st December, 1792, and 18th February, 1793, the statement in which is exhibited the tonnage for the years 1789, 1790, 1791, and 1792 has been formed from the accounts of tonnage on which duties were collected for those years."

² The decrease of tonnage in this year arises principally from the registered tonnage having been corrected by striking off all vessels the registers of which were granted prior to 1815, which were supposed by the collectors to have been lost at sea, captured, etc.—Joseph Nourse, Register of the Treasury (American State Papers, Vol. II, p. 648).

Tonnage of the United States merchant marine employed in the foreign trade, the coasting trade, and the fisheries, from 1789 to 1904—Continued.

Year ending—	Foreign trade, registered vessels.	Coasting trade, enrolled and licensed vessels.	Whale fisheries, registered and enrolled vessels.	Deep-sea fisheries, enrolled and licensed vessels.	Total merchant marine.
September 30—	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
1835 (9 months).....	788,173	797,338	97,649	141,781	1,824,941
1836.....	753,094	873,023	146,254	109,731	1,882,102
1837.....	683,205	956,981	129,137	127,363	1,896,686
1838.....	702,962	1,041,105	124,860	126,713	1,995,640
1839.....	702,400	1,153,552	132,285	108,242	2,096,479
1840.....	762,838	1,176,694	136,927	104,305	2,180,764
1841.....	788,398	1,107,068	157,405	77,783	2,130,744
1842.....	823,746	1,045,753	151,990	70,902	2,092,391
June 30—					
1843 (9 months).....	856,930	1,078,156	152,517	73,000	2,158,603
1844.....	900,471	1,109,615	168,614	101,396	2,280,096
1845.....	904,476	1,223,218	190,903	98,405	2,417,002
1846.....	943,307	1,315,577	187,420	115,781	2,562,085
1847.....	1,047,454	1,488,601	193,859	109,132	2,839,046
1848.....	1,168,707	1,659,317	192,613	133,405	3,154,042
1849.....	1,258,756	1,770,376	180,186	124,698	3,334,016
1850.....	1,439,694	1,797,825	146,017	151,918	3,535,454
1851.....	1,544,683	1,899,976	181,644	146,156	3,772,439
1852.....	1,705,650	2,055,873	193,798	183,119	4,138,440
1853.....	1,910,471	2,134,258	193,203	199,078	4,407,010
1854.....	2,151,918	2,322,114	181,901	146,969	4,902,902
1855.....	2,348,358	2,543,255	186,848	133,540	5,212,001
1856.....	2,302,190	2,247,663	189,461	132,339	4,871,653
1857.....	2,268,196	2,336,608	195,842	140,196	4,940,843
1858.....	2,301,148	2,401,220	198,594	148,946	5,049,908
1859.....	2,321,074	2,480,929	185,728	156,707	5,145,038
1860.....	2,379,196	2,644,867	166,841	162,764	5,353,868
1861.....	2,496,994	2,704,544	145,734	192,941	5,539,813
1862.....	2,173,137	2,616,716	117,714	204,197	5,112,164
1863.....	1,926,986	2,960,633	99,228	168,309	5,155,056
1864.....	1,486,749	3,245,265	95,145	159,341	4,986,400
1865.....	1,518,350	3,381,522	84,233	112,677	5,096,782
1866.....	1,387,756	2,719,621	105,170	98,331	4,310,778
1867.....	1,515,048	2,660,390	52,384	78,065	4,304,487
1868.....	1,487,246	2,702,140	78,486	83,887	4,361,759
1869.....	1,496,220	2,515,515	70,202	62,704	4,144,641
1870.....	1,448,146	2,638,247	67,954	91,460	4,246,507
1871.....	1,363,652	2,764,600	61,490	92,865	4,282,607
1872.....	1,359,140	2,929,552	51,608	97,547	4,437,747
1873.....	1,378,133	3,163,220	44,755	109,519	4,696,027
1874.....	1,389,115	3,293,439	39,108	78,290	4,800,652
1875.....	1,515,198	3,219,698	38,229	80,207	4,853,732
1876.....	1,553,105	2,598,835	39,116	87,802	4,279,458
1877.....	1,570,600	2,540,322	40,593	91,085	4,242,600
1878.....	1,589,348	2,497,170	39,700	86,547	4,212,765
1879.....	1,451,506	2,598,182	40,028	79,885	4,169,601
1880.....	1,314,402	2,637,686	38,408	77,538	4,068,034
1881.....	1,297,035	2,646,011	38,551	76,137	4,057,734
1882.....	1,259,492	2,795,776	32,802	77,863	4,165,933
1883.....	1,269,081	2,838,354	32,414	95,038	4,285,487
1884.....	1,276,072	2,884,068	27,249	82,940	4,271,229
1885.....	1,262,814	2,895,371	25,184	82,565	4,265,934
1886.....	1,088,041	2,939,252	23,138	80,705	4,131,136
1887.....	989,412	3,010,735	26,151	79,547	4,105,845
1888.....	919,302	3,172,120	24,482	76,012	4,191,916
1889.....	999,619	3,211,416	21,976	74,464	4,307,475
1890.....	928,062	3,409,435	18,633	68,367	4,424,497
1891.....	988,719	3,609,876	17,231	68,933	4,684,759
1892.....	977,624	3,700,773	17,052	69,472	4,764,921
1893.....	883,199	3,854,693	16,604	70,575	4,825,071
1894.....	899,698	3,696,276	16,482	71,573	4,684,029
1895.....	822,347	3,728,714	15,839	69,060	4,635,960
1896.....	829,133	3,790,296	15,121	68,630	4,703,880
1897.....	792,870	3,896,826	12,714	66,610	4,769,020
1898.....	726,213	3,959,702	11,496	52,327	4,749,738
1899.....	837,229	3,965,313	11,017	50,679	4,864,238
1900.....	816,795	4,286,516	9,869	51,629	5,164,839
1901.....	879,795	4,582,645	9,534	52,444	5,524,218
1902.....	873,735	4,858,714	9,320	56,633	5,797,902
1903.....	879,264	5,141,037	9,512	57,532	6,087,345
1904.....	888,628	5,335,164	10,140	57,603	6,291,535

APPENDIX B.

Tonnage of the world and of important maritime powers.

[Steam vessels over 100 tons and sail vessels over 50 tons.]

[Recorded by Bureau Veritas.]

THE WORLD.

Year.	Steam (over 100 tons).		Sail (over 50 tons).		Potential tonnage.
	Number.	Gross tons.	Number.	Net tons.	
1890.....	9,638	12,825,709	33,879	10,540,051	43,687,039
1893.....	10,629	15,134,436	29,756	9,829,063	48,528,319
1894.....	10,744	15,657,124	29,333	9,547,747	49,526,847
1895.....	10,596	16,333,513	29,570	9,323,995	50,764,796
1896.....	11,155	17,089,596	29,348	9,135,560	51,179,660
1897.....	11,271	17,889,006	29,215	8,894,732	54,605,064
1898.....	11,576	18,886,042	28,885	8,693,769	55,442,853
1899.....	11,456	19,711,382	27,867	8,347,596	57,006,600
1900.....	12,289	21,787,900	27,982	8,206,389	62,068,253
1901.....	12,702	23,379,726	27,854	8,119,121	66,771,601
1902.....	13,106	24,967,538	27,976	8,078,397	69,806,793
1903.....	13,381	26,158,358	27,705	8,066,305	73,334,581
1904.....	17,532	27,900,457	26,873	7,812,957	76,567,601

BRITISH.

1890.....	5,302	8,043,872	10,559	3,693,650	24,119,974
1893.....	5,694	9,383,361	9,277	3,574,847	27,121,331
1894.....	5,735	9,706,976	8,892	3,485,590	27,885,806
1895.....	5,771	9,984,280	8,793	3,333,007	28,258,883
1896.....	5,690	10,245,557	8,726	3,267,625	28,920,729
1897.....	5,661	10,552,498	8,595	3,098,618	30,064,196
1898.....	5,707	10,993,111	8,125	2,910,355	29,868,083
1899.....	5,453	11,093,807	7,706	2,662,168	29,696,992
1900.....	5,649	11,859,581	7,326	2,513,307	32,096,443
1901.....	5,621	12,457,111	7,134	2,352,378	32,821,878
1902.....	5,839	13,305,915	7,029	2,233,684	34,652,644
1903.....	5,929	13,966,972	6,839	2,196,443	36,907,579
1904.....	8,406	14,889,175	6,773	2,080,243	38,621,155

GERMAN.

1890.....	689	930,754	1,398	706,475	3,331,203
1893.....	779	1,144,199	1,386	667,219	3,875,151
1894.....	810	1,216,062	1,285	624,922	4,065,282
1895.....	826	1,306,771	1,105	597,862	4,343,766
1896.....	831	1,360,472	1,096	566,973	4,152,357
1897.....	846	1,462,530	1,067	544,420	4,681,812
1898.....	878	1,625,521	1,000	535,937	4,805,413
1899.....	900	1,873,338	961	548,053	5,215,765
1900.....	1,031	2,169,029	955	551,025	5,962,785
1901.....	1,115	2,430,206	966	536,744	6,732,728
1902.....	1,167	2,622,308	957	527,543	7,052,727
1903.....	1,193	2,767,493	914	528,267	7,345,747
1904.....	1,479	2,887,130	948	506,010	7,635,342

FRENCH.

1890.....	471	805,983	1,627	298,787	2,238,747
1893.....	500	856,375	1,490	257,444	2,181,128
1894.....	503	872,103	1,490	256,266	2,121,560
1895.....	501	864,598	1,459	255,065	2,100,683
1896.....	532	933,244	1,425	252,940	2,207,644
1897.....	539	979,072	1,360	266,667	2,269,147
1898.....	547	952,682	1,334	279,412	2,286,580
1899.....	526	985,968	1,371	309,881	2,067,704
1900.....	545	1,060,238	1,396	341,037	2,594,193
1901.....	560	1,079,683	1,406	401,353	2,542,785
1902.....	556	1,096,120	1,429	467,026	2,721,806
1903.....	556	1,139,575	1,449	535,703	2,907,083
1904.....	835	1,266,486	1,440	494,123	3,040,147

Tonnage of the world and of important maritime powers—Continued.

NORWEGIAN.

Year.	Steam (over 100 tons).		Sail (over 50 tons).		Potential tonnage.
	Number.	Gross tons.	Number.	Net tons.	
1890.....	371	245,052	3,567	1,405,934	2,111,610
1893.....	490	367,652	3,278	1,375,138	2,416,358
1894.....	510	406,119	3,111	1,297,801	2,343,173
1895.....	520	455,317	2,969	1,240,159	2,385,531
1896.....	551	494,612	2,801	1,176,174	2,433,390
1897.....	605	576,598	2,594	1,103,284	2,544,680
1898.....	646	628,493	2,582	1,144,482	2,720,482
1899.....	657	672,549	2,306	996,678	2,666,230
1900.....	719	769,242	2,123	898,761	2,815,977
1901.....	758	779,398	2,002	883,934	2,883,742
1902.....	804	863,146	1,837	807,125	2,960,489
1903.....	844	925,683	1,740	767,981	3,069,533
1904.....	1,037	1,030,637	1,661	749,354	3,302,578

JAPANESE.

Year.	Number.	Gross tons.	Number.	Net tons.	Steam (gross) and sail (net).
1890.....	147	123,279	104	27,721	151,000
1891.....	146	120,882	98	25,602	146,484
1892.....	143	121,697	100	26,506	148,202
1893.....	179	142,065	260	37,615	179,710
1894.....	193	171,901	256	36,867	208,768
1895.....	242	274,659	255	37,655	312,314
1896.....	267	313,563	249	33,880	346,443
1897.....	318	408,503	234	31,750	440,253
1898.....	334	439,509	240	30,515	470,024
1899.....	332	455,535	310	40,966	496,501
1900.....	338	477,311	1,053	117,364	594,675
1901.....	366	518,893	1,502	170,790	689,683
1902.....	365	530,057	1,497	172,480	702,537
1903.....	373	556,036	1,521	174,624	730,660
1904.....	556	645,978	1,582	184,220	830,198

APPENDIX C.

THE NEW CUNARD SUBSIDY.

[From Report of the Commissioner of Navigation for 1903, pp. 48-52.]

On the part of the British Government the Cunard contract is made jointly by the Admiralty, representing the Navy Department, by the Board of Trade, corresponding to our Department of Commerce and Labor, and by the Postmaster General. The public purposes of the contract, recited in the preambles, are the maintenance and improvement of British steamship lines to the United States, the control by the Admiralty, when desired, of the Cunard fleet, and the transportation of the British mails.

The basic articles of the new Cunard contract are the following:

"3. (1) The company shall forthwith cause to be built for it in the United Kingdom, with all due dispatch, two steamships of large size capable of maintaining a minimum average ocean speed of from 24 to 25 knots an hour in moderate weather, suitable in all respects to maintain and develop the company's line between Liverpool and New York, or other ports in Great Britain and the United States of America.

"10. His Majesty's Government shall advance to the company a sum equal to the cost to the company of the two steamships referred to in clause 3 hereof, but not exceeding in any event £2,600,000, upon the terms and conditions following:"

The estimate of the first cost of these steamers, £1,300,000 each, was based on the investigations of a special commission of the Admiralty. That commission

reported the first cost, indicated horsepower, and annual subsidy required to maintain commercially fast British ocean steamers, as follows:

Average speed.	First cost.	Engine power.	Annual subsidy.
<i>Knots.</i>		<i>I. H. P.</i>	
20	£350,000	19,000	£9,000
21	400,000	22,000	19,500
22	470,000	26,500	40,500
23	575,000	30,000	67,500
24	860,000	40,000	110,500
25	1,000,000	52,000	149,000
26	1,250,000	68,000	204,000

The speed basis is not for a measured mile, or a short distance, but for the voyage of 3,000 miles across the Atlantic. The annual subsidy to make good commercial losses is based on a 10-year contract.

By the article just quoted the British Government agrees to advance the first cost, £1,300,000, of each of the two fastest steamers which can be built. This amount is to be repaid by the company in 20 annual installments of £65,000 each, beginning with the end of the first year after the second of the two steamers has made her first voyage. Beginning with the first voyage of each steamer the British Government is to pay the company an annual admiralty subvention of £75,000 for each of the two steamers, or £150,000 a year when both are in full operation. This £150,000, however, includes the present admiralty subvention for *Campania*, *Lucania*, and other existing steamers of the fleet under the agreement of October, 1902 (see article 9), amounting to about £20,000. The new admiralty subvention for the two new steamers is thus virtually £130,000, or £65,000 apiece—a sum just sufficient to equal the annual installment of the company's repayment of the Government's advance.

By paragraph 9 (e) of the contract interest shall be at the rate of 2½ per cent per annum. At this rate the average annual interest on the principal of £1,300,000 payable in 20 years will be £17,875. Besides the admiralty subvention of £150,000 already mentioned, the Cunard Co. is also to receive £68,000 (see contract, pt. 2, pars. 13, 14, and 26) for carrying the mails once a week from Queenstown to New York. This service will require four steamers, and the postal subsidy is accordingly at the rate of £17,000 a steamer. As the two new steamers will presumably carry more than the average amount of mail, in effect the mail subsidy is calculated to pay interest on first cost, as the admiralty subvention was calculated to repay the principal of first cost advanced by the Government.

By this agreement in effect the British Government agrees to build and give to the Cunard Co. the two best steamships Great Britain can produce, and the company agrees to operate them at its own cost. The Government supplies the capital, the company meets operating expenses. The company's chance for profits depends on passenger receipts exceeding operating expenses (excluding first cost of the steamers). The Government's return for its investment is:

- "1. British transportation of British mails.
- "2. The employment of naval reserves on the Cunard steamers.
- "3. The possession of a fleet of auxiliary cruisers and transports without the cost of maintenance, including insurance, wages, repairs, etc.
- "4. The reassertion of British preeminence on the North Atlantic, threatened by the rapid development of the two great German lines."

By the third schedule of the contract the British Government has the right to purchase outright any Cunarder for a sum equal to the value of the vessel at the time of her purchase, plus 10 per cent as a bonus to the company. The present value of each steamer of the fleet, it will be noted, has been fixed in the contract, the *Lucania* and *Campania*, built in 1893, for example, each being valued in September, 1902, at £356,839. Depreciation is to be allowed at the rate of 6 per cent annually, but the value of a steamer may be appreciated by the installation of new boilers and engines. Although the British Government, as shown, pays the first cost of the new steamers, it can purchase them from the company only by a payment of 10 per cent bonus above their value, as an insurance to the company against loss consequent upon interrupted traffic.

By the same schedule the British Government may temporarily charter any vessel of the Cunard fleet at the following rates:

Speed of vessel per hour.	Rate per ton gross register per month.			
	In the event of the company not having to provide and pay the officers and crew.		In the event of the company having to provide and pay the officers and crew.	
	For first four months of each period of hire.	For subsequent period of hire.	For first four months of each period of hire.	For subsequent period of hire.
Above 22 knots.....	s. d. 25 0	s. d. 25 0	s. d. 30 0	s. d. 30 0
Of from 20 to 22 knots, inclusive.....	20 0	20 0	24 0	24 0
Of from 17 up to 20 knots.....	20 0	17 6	24 0	21 6
Under 17 knots and above 14 knots.....	17 6	15 0	20 0	17 6

The rates are equivalent to \$87.48 a year per ton (including crew) for the steamers over 22 knots and \$51.45 a year per ton (including crew) for steamers between 14 and 17 knots. The average earnings of the Cunard fleet in 1902 were \$57.83 per gross registered ton, so that the Government charter rate is somewhat in excess of the ordinary commercial earnings of the company.

The total annual subsidy to the Cunard Line specifically provided for in the contract consists of £150,000 (\$729,000) for admiralty services and £68,000 (\$330,480) for the mails; in all \$1,059,480. Paragraph 2 of the second part of the contract contains, however, the following provisions looking toward the maintenance of a complete Cunard semiweekly trans-Atlantic service:

"If in consequence of additions to its fleet the company shall at any time establish a new fast weekly midweek service between Great Britain and the United States of America (that is to say, a service performed by vessels of a speed of 18 knots and upward per hour), and the postmaster general shall, under the powers conferred by this clause, send by means of such new service a regular mail to the United States of America which shall be equal in weight on an average of 12 months to not less than 10 per cent of the average weight of the mail sent each week by a mail ship under this agreement, then the postmaster general shall make such additional payment to the company for the advantage thus obtained as (regard being had to the other payments to the company under this agreement) may be agreed upon, or failing agreement, settled by arbitration under clause 35 hereof."

The amount of the subsidy or "mail pay" under this paragraph is not fixed, but the paragraph is a pointed illustration of British policy to dispatch British mails entirely by British steamers, even if British steamers are slower than competing American and German mail steamers. With the semiweekly mail line in operation the Cunard Co. will doubtless receive about \$1,100,000 from the British Government annually. The United States pays substantially the same sum for our eastbound trans-Atlantic mails, the Cunard Co. receiving of late years over \$200,000 annually from the American post office. The proposed concentration of British westbound mails upon the Cunard Line, with an annual payment of about \$1,100,000, may be contrasted with the American policy of distributing our eastbound trans-Atlantic mails, as shown by the following table of mail payments for a series of years to the lines named:

American trans-Atlantic mail payments.

Year.	International Navigation (American).	North German Lloyd (German).	Hamburg-American (German).	Cunard (British).	White Star (British).	Cie. Générale Transatlantique (French).	Total.
1889.....	\$8,642.93	\$188,633.19	\$14,868.69	\$101,818.32	\$12,375.97	\$21,959.20	\$351,298.30
1890.....	41,631.84	171,546.81	20,424.11	88,673.53	27,106.00	25,442.94	374,825.23
1891.....	25,961.00	178,108.86	29,120.47	77,349.50	62,471.04	24,749.10	397,759.97
1892.....	43,965.85	172,165.69	40,679.52	92,919.80	69,090.06	28,554.09	447,375.01
1893.....	103,029.31	152,413.55	38,361.37	105,019.66	92,918.40	34,233.80	525,978.09
1894.....	192,405.75	157,764.90	45,311.83	131,062.12	47,176.13	32,959.77	606,680.50
1895.....	223,900.48	115,599.56	41,119.24	145,859.07	51,879.99	29,229.52	607,587.86
1896.....	595,943.38	112,161.74	30,030.75	142,008.27	27,824.51	32,806.88	940,775.53
1897.....	766,507.66	107,322.30	26,296.87	144,140.26	25,974.21	35,856.23	1,106,097.53
1898.....	540,809.09	88,029.67	27,431.09	172,918.34	53,535.69	31,679.88	954,403.76
1899.....	485,673.60	95,183.19	13,861.03	183,816.20	61,873.74	37,202.22	877,639.98
1900.....	617,278.40	100,823.54	35,187.13	185,417.73	48,820.71	27,987.67	1,045,515.18
1901.....	529,101.29	80,141.81	52,750.64	213,772.80	91,591.21	24,842.21	992,199.96
1902.....	662,184.00	83,372.19	55,092.48	221,224.07	51,019.96	20,184.82	1,093,077.52
1903.....	660,672.00	111,733.09	40,905.31	241,634.19	61,994.93	30,936.46	1,147,875.98
Total...	5,567,706.58	1,915,000.09	511,440.53	2,247,663.86	785,652.55	441,621.79	11,469,088.40

The only American trans-Atlantic mail contract now in force was made with the American Line for 10 years, under the act of 1891. Under that contract the maximum annual subsidy is \$757,000 for four steamers, or on the average \$189,000 a steamer. As already shown, the Cunard contract is so arranged that the company is assured that the Government will meet the entire first cost, including interest, of the two new steamers. Two new steamers were built in the United States under the American contract in 1893-1895, at a cost each of \$2,500,000 in round numbers. During the 10 years of the American contract each of these steamers, if in full operation, might thus draw \$1,890,000. If the company undertook, as does the Cunard Co., to repay the first cost in 20 annual installments, during the 10 years of the contract \$1,250,000 must be set aside for the purpose. The British Government requires only 2½ per cent interest from the Cunard Co.; the American company pays 5 per cent interest on its mortgage bonds. At this rate (assuming it were proposed to retire the bonds in 20 years) the interest charges for the 10 years of the contract will amount to \$937,500. This sum, added to \$1,250,000 set apart for amortization, amounts to \$2,187,500 paid out, compared with \$1,890,000 subsidy received.

At the end of the 10-year American contract the company's payments for first cost and interest are thus nearly \$300,000 more than the maximum subsidy receivable, while the company has still to meet half of the first cost and interest thereon of a steamer adapted virtually to one line of trade. The disparity between the 20-year Cunard contract and the 10-year American contract is lessened by the fact that Congress admitted two British-built steamers to American registry in order to give life at all to an American trans-Atlantic mail system. It is increased, on the other hand, by the higher wages paid on the American than on the British Lines. The four steamers of the American Line in 1895 were unequaled by the four steamers of any foreign steamship company. Since that time the German trans-Atlantic mail fleet has considerably surpassed it. In October, 1905, the American contract will expire. Soon after that time the new Cunard contract will go into operation. In the reports of the bureau for several years past a revision of the ocean mail act of 1891 has been suggested in the interest of the American merchant marine and of American shipbuilding. Such a revision obviously concerns the Post Office Department and the Navy Department, as well as the Department of Commerce and Labor. The new Cunard contract suggests the desirability of action upon this subject in such a manner as shall meet the requirements of the three departments concerned and the reasonable ambitions of the American people. The act of 1891 has failed to establish an American mail line to South America below the Caribbean.

APPENDIX D.

INQUIRIES AS TO THE FREE-SHIP QUESTION.

Desirous of learning how far a simple free-ship policy would be effective in increasing the American merchant marine in foreign trade, the Merchant Marine Commission caused inquiries to be sent to the chief American owners of foreign-built steamships now being operated under foreign flags. These inquiries and the replies received from the steamship managers were as follows:

THE MERCHANT MARINE COMMISSION,
Washington, D. C.

DEAR SIRS: It is stated in the report of the Commissioner of Navigation for 1902 that you are the owners in whole or in part of several steamships foreign built and now flying foreign colors.

The Merchant Marine Commission is charged by Congress to ascertain, if possible, the best method of increasing American tonnage in the over-seas trade. Will you kindly state for the information of the commission:

1. Whether you would, if so authorized by Congress, transfer your foreign-built ships to American registry to engage exclusively in the foreign trade, but to remain without subsidy, differential duty, or any other Government encouragement?

2. Whether you would transfer your foreign-built steamships to American registry if they were admitted to all or part of any subsidy or differential duty granted by our Government, but were still confined to the foreign trade?

3. Whether you would transfer your foreign-built steamships to American registry if no subsidy or differential duty were granted, but if the ships were allowed to enter the coastwise trade on the same terms as other American vessels?

4. Whether you would transfer your foreign-built ships to the American flag for foreign trade alone if you were required to build an equivalent tonnage in this country?

5. Whether, if your foreign-built ships were admitted to American registry, you would also wish to have the privilege of employing alien officers and be exempted from the food scale required by United States law?

Very truly, yours,

WINTHROP L. MARVIN, *Secretary.*

NEW YORK, November 2, 1904.

THE MERCHANT MARINE COMMISSION,
Washington, D. C.

GENTLEMEN: We acknowledge yours of the 24th ultimo and herewith answer questions proposed in the light of existing circumstances and conditions, which may change materially by the time legislation is enacted.

In reply to question 1 we reply in the negative.

To question 2 we reply that we would probably if entitled to full subsidy.

No. 3 we answer affirmatively.

No. 4 we answer in the negative.

No. 5. We would prefer to have the privilege of employing aliens for positions below captain and chief engineers, but would not object to compliance with United States law respecting food scale.

Yours, truly,

W. R. GRACE & Co.,
Per A. D. SNOW.

INTERNATIONAL MERCANTILE MARINE CO.,
OFFICE OF THE VICE PRESIDENT,
9 Broadway, New York, November 3, 1904.

WINTHROP L. MARVIN, Esq.,
Secretary the Merchant Marine Commission, Washington, D. C.

DEAR SIR: In reply to your communication of the 29th ultimo asking certain questions for the information of the Merchant Marine Commission, we beg to make reply as follows:

1. If Congress should authorize the issuing of American register to foreign-built ships to engage exclusively in the foreign trade, but provide for no gov-

ernmental assistance to such ships, we could not afford to transfer any of our foreign-built ships to American register, as the increased cost of operating steamers under the American flag, compared with the steamers under foreign flags in the same trade, would be too great to warrant the transfer.

2. If foreign-built steamers were admitted to American register and were granted sufficient governmental assistance (either by subsidy or otherwise) to offset the increased cost of operating under the American flag as compared with the cost under a foreign flag, we would doubtless take advantage of this act and transfer some of our steamers now under foreign register to American register.

3. If no subsidy or other assistance were granted by Congress to foreign-built ships transferred to American register, but such steamers were permitted to enter the coastwise trade on the same terms as other American vessels, there would be no inducement to make the transfer, as steamers constructed for the foreign trade are not generally suitable for coastwise trade.

4. If Congress should pass an act providing for the admission to American register of foreign-built ships under an agreement on the part of the shipowner to build an equal amount of tonnage in this country, we could not take advantage of this act unless, in addition, governmental assistance was provided sufficient to offset the increased cost of building and operating steamers under American register.

5. If foreign-built ships were admitted to American register we would not care for the privilege of employing alien officers and to be exempted from the food schedule required by United States laws, provided the assistance offered by the Government as an offset to increased expenses were sufficient to cover the increased cost of wages and provisions of the American crew.

We have endeavored to answer your questions, but if there is any further information that you require, we will be pleased to have you communicate with us.

Yours, truly,

P. A. S. FRANKLIN, *Vice President.*

DONALD STEAMSHIP CO. (INC.),
18 Broadway, New York, October 29, 1904.

WINTHROP L. MARVIN, Esq.,

Secretary Merchant Marine Commission, Washington, D. C.

DEAR SIR: I beg to acknowledge receipt of your letter of October 25, and beg to apologize for the delay in not answering same sooner. In reply to your letter, I have considered the five questions which you ask, and in answer would say—

1. I beg to state on my own behalf as official president of this company, without consulting my directors, that I would not feel inclined to transfer our foreign-built ships to American registry without some inducement for doing so.

2. I think, on the conditions indicated in your question, that we would be willing to transfer our foreign-built ships to American registry, to be confined to the foreign trade.

3. I believe we would not be willing to transfer our foreign-built ships to American registry in order to participate in the benefits of the coasting trade, as we believe that if a general transfer of other firms' property was put in that trade it would be as much depressed as the foreign trade for American ships.

4. I am not prepared to state that we would transfer our foreign-built ships to the American flag for foreign trade alone if we were required to build an equivalent tonnage in this country.

5. I am not prepared to state that we would desire to have the privilege of employing alien officers for our foreign-built ships if they are admitted to American registry.

I should like to be permitted to further add, however, that I am in favor of having foreign-built ships bought and purchased by American citizens without seeking any Government assistance whatever, as I am convinced that the nucleus for the ship-owning business could be started in this country in this manner alone, and that by reason of ultimate repairs and renewals American shipowners will be able to build ships as cheaply as they could be built in foreign countries, and I would be further in favor of citizens of foreign countries being licensed to navigate those ships under the laws of this country.

I should be very pleased indeed to appear before the commission and explain my views on this matter. I am in favor of protecting the coasting trade just

as it remains at present on behalf of American shipping industry. So far as I can see at present the permission for American citizens to own foreign-built tonnage would not affect one iota the interest of the American shipbuilders, as I have not been able to discover in the records of the last two or three years that any appreciable amount of tonnage has been built in this country for the offshore trade.

At your service, I am, yours, truly,

JOHN A. DONALD.

21 STATE STREET, NEW YORK, October 27, 1904

Mr. WINTHROP L. MARVIN,

Secretary Merchant Marine Commission, Washington, D. C.

DEAR SIR: We are in receipt of your letter of October 25, and you doubtless will appreciate how impossible it is for us to state definitely to-day what our action would be on certain possible future contingencies, without knowing the conditions that the future may reveal. On general principles, however, we might state for the information of the commission, and waiving for the time all other considerations except those of a purely commercial advantage, in reply to question—

1. That there would be no incentive, from a business point of view, to transfer foreign-built ships to American registry, if they were to be confined exclusively to the foreign trade, but to remain without subsidy, differential duty, or any other Government encouragement on account of the greater cost of operating vessels under the American flag than under some foreign flag.

2. The advisability of transferring foreign-built ships to American registry, if they were to be admitted to all or part of any subsidy or differential duty granted by our Government yet confined to foreign trade, would depend entirely upon the amount of such remuneration that the steamers would receive under such subsidy or differential duty. If it did not fully compensate for the extra cost of operation there would be no advantage to be gained by making the change.

3. We could not say at the present time whether we would want to transfer our foreign-built ships to American registry without subsidy, but with the privilege of entering the coastwise trade.

4. The answer to No. 1 practically covers this question also. There would be nothing gained by transferring foreign-built ships to American registry and building an equivalent tonnage in this country unless both classes of vessels participate in the subsidy or differential duty.

5. In view of the possibility that there might not be a sufficient number of experienced officers and engineers to man all American and foreign-built ships operating under American registry, we would deem it advisable that the privilege should be granted of employing alien officers and engineers, at least for a term of years after the passage of any legislation granting American registry to foreign-built vessels.

We trust that the above fully answers your desires, and remain,

Yours, truly,

T. HOGAN & SONS.

BALTIMORE, MD., November 4, 1904.

Mr. WINTHROP L. MARVIN,

Secretary Merchant Marine Commission, Washington, D. C.

MY DEAR MR. MARVIN: I am in receipt of your letter of the 1st instant, and note your request for a formal reply from me to the various questions you have submitted, also to others, for the information of the commission. You will find below the questions and my answers to each.

1. Whether you would, if so authorized by Congress, transfer your foreign-built ships to American registry to engage exclusively in the foreign trade, but to remain without subsidy, differential duty, or any other Government encouragement?

Answer. No.

2. Whether you would transfer your foreign-built steamships to American registry, if they were admitted to all or part of any subsidy or differential duty granted by our Government, but were still confined to the foreign trade?

Answer. Yes.

3. Whether you would transfer your foreign-built steamships to American registry if no subsidy or differential duty were granted, but if the ships were allowed to enter the coastwise trade on the same terms as other American vessels?

Answer. No.

4. Whether you would transfer your foreign-built ships to the American flag for foreign trade alone if you were required to build an equivalent tonnage in this country?

Answer. Yes; if subsidy or differential duty sufficient were given.

5. Whether, if your foreign-built ships were admitted to American registry, you would wish also to have the privilege of employing alien officers, and be exempted from the food scale required by United States law?

Answer. Yes; would wish privilege to employ alien officers.

No; would not wish exemption from food scale required by United States law.

Yours, very truly,

B. N. BAKER.

FUENESS, WITTH & Co. (LTD.),

Rooms 360-362 Produce Exchange, New York, January 3, 1905.

The Merchant Marine Commission, Washington, D. C.

DEAR SIR: Referring to your communication of the 25th October, addressed to the Chesapeake & Ohio Steamship Co. (Ltd.), Newport News, Va., after having submitted your questions to the head office of the company in London, we are in receipt of their communication under date of the 23d ultimo, as follows:

1. No.

2. We would be willing to consider a proposal of this kind, but would have to have further particulars before giving a definite reply.

3. No.

4. No.

5. Yes.

Yours, very truly,

GEORGE L. WOOLLEY.

ANGLO-AMERICAN OIL CO. (LTD.),

26 Broadway, New York, December 13, 1904.

MR. WINTHROP L. MARVIN,

Secretary, Merchant Marine Commission, Washington, D. C.

DEAR SIR: Owing to the writer's absence in Europe your favor of October 25 has not been attended to before. The questions propounded by you we would answer as follows:

No. 1. No.

No. 2. We would be in favor of transferring to American registry if the subsidy granted was sufficient to offset the higher cost of running the vessels.

No. 3 and No. 4. We would answer no.

No. 5. We would wish to have the privilege of employing foreign officers, but we would not object to the American food scale.

Respectfully, yours,

PHILIP RUPRECHT, Agent,
ANGLO-AMERICAN OIL CO. (LTD.).

APPENDIX E.

SUMMARY OF AMERICAN LAWS FOR BOUNTIES TO FISHING VESSELS.

[February 16, 1792.]

AN ACT Concerning certain fisheries of the United States, and for the regulation and government of the fishermen employed therein.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the allowance now made upon the exportation of dried fish of the fisheries of the United States, in lieu of a drawback of the duties paid on the salt used in preserving the same, shall cease on all dried fish exported after the 10th day of June next, and as a com-

mutation and equivalent therefor, there shall be afterwards paid on the last day of December annually, to the owner of every vessel or his agent, by the collector of the district where such vessel may belong, that shall be qualified agreeably to law, for carrying on the bank and other cod fisheries, and that shall actually have been employed therein at sea for the term of four months, at the least, of the fishing season, next preceding, which season is accounted to be from the last day of February to the last day in November in every year, for each and every ton of such vessel's burthen according to her admeasurement as licensed or enrolled, if of 20 tons and not exceeding 30 tons, \$1.50, and if above 30 tons \$2.50, of which allowance aforesaid three-eighths parts shall accrue and belong to the owner of such fishing vessel, and the other five-eighths thereof shall be divided by him, his agent or lawful representative, to and among the several fishermen who shall have been employed in such vessel during the season aforesaid, or a part thereof, as the case may be, in such proportions as the fish they shall respectively have taken may bear to the whole quantity of fish taken on board such vessel during such season: *Provided*, That the allowance aforesaid on any one vessel, for one season, shall not exceed \$170.

(By the act of July 8, 1797, the bounties to fishing vessels were increased 33½ per cent, to take effect on January 1, 1798.)

[July 29, 1813, Thirteenth Congress, first session, chapter 35.]

AN ACT Laying a duty on imported salt; granting a bounty on pickled fish exported, and allowances to certain vessels employed in the fisheries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the first day of January next a duty of 20 cents per bushel shall be laid, imposed, and collected upon all salt imported from any foreign port or place into the United States. In calculating the said duty every 56 pounds of salt shall be computed as equal to 1 bushel. And the said duty shall be collected in the same manner, and under the same regulations, as other duties laid on the importation of foreign goods, wares, and merchandise into the United States: *Provided*, That drawback shall in no case be allowed, and the term of credit for the payment of duties shall be nine months.

SEC. 2. *And be it further enacted*, That on all pickled fish of the fisheries of the United States, exported therefrom subsequent to the last day of December, 1814, there shall be allowed and paid a bounty of 20 cents per barrel, to be paid by the collector of the district from which the same shall be so exported, without any deduction or abatement: *Provided always*, That in order to entitle the exporter or exporters of such pickled fish to the benefit of such bounty or allowance, the said exporter or exporters shall make entry with the collector and naval officer of the district from whence the said pickled fish are intended to be exported; and shall specify in such entry the names of the master and vessel in which and the place where such fish are intended to be exported, together with the particular quantity; and proof shall be made to the satisfaction of the collector of the district from which such pickled fish are intended to be exported, and of the naval officer thereof, if any, that the same are of the fisheries of the United States; and no entry shall be received as aforesaid of any pickled fish which have not been inspected and marked pursuant to the inspection laws of the respective States where inspection laws are in force in regard to any pickled fish, and the casks containing such fish shall be branded with the words "for bounty," with the name of the inspector or packer, the species and quality of the fish contained therein, and the name of the port of exportation; and the collector of such district shall, together with the naval officer, where there is one, grant an order or permit for the inspector to examine the pickled fish as expressed in such entry, and if they correspond therewith, and the said officer is fully satisfied that they are of the fisheries of the United States, to lade the same, agreeably to such entry, on board the ship or vessel therein expressed; which lading shall be performed under the superintendence of the officer examining the same, who shall make returns of the quantity and quality of pickled fish so laden on board, in virtue of such order or permit, to the officer or officers granting the same. And the said exporter or exporters, when the lading is completed, and after returns thereof have been made as above directed, shall make oath or affirmation that the pickled fish expressed in such entry, and then actually laden on board the

ship or vessel as therein expressed, are truly and bona fide of the fisheries of the United States, that they are truly intended to be exported as therein specified, and are not intended to be relanded within the limits of the United States; and shall also give bond in double the amount of the bounty or allowance to be received, with one or more sureties to the satisfaction of the collector of the port or place from which the said pickled fish are intended to be exported, conditioned that the same shall be landed and left at some foreign port or place without the limits aforesaid; which bonds shall be canceled at the same periods and in like manner as is provided in respect to bonds given on the exportation of goods, wares, and merchandise entitled to drawback of duties: *Provided always*, That the said bounty or allowance shall not be paid until at least six months after the exportation of such pickled fish, to be computed from the date of bond, and until the exporter or exporters thereof shall produce to the collector with whom such outward entry is made such certificates or other satisfactory proof of the landing of the same as aforesaid as is made necessary for canceling the bonds given on the exportation of goods entitled to drawback: *And provided also*, That the bounty or allowance as aforesaid shall not be paid unless the same shall amount to \$10 at least upon each entry.

SEC. 3. *And be it further enacted*, That no bounty, drawback, or allowance shall be made under the authority of this act unless it shall be proved to the satisfaction of the collector that the pickled fish for which the bounty, drawback, or allowance shall be claimed was wholly cured with foreign salt, and on which a duty shall have been secured or paid.

SEC. 4. *And be it further enacted*, That if any pickled fish shall be falsely or fraudulently entered, with intent to obtain the bounty or allowance on their exportation as here provided, when the said fish are not entitled to the same, the said fish or the value thereof, to be recovered of the person making such false entry, shall be forfeited.

SEC. 5. *And be it further enacted*, That from and after the last day of December, 1814, there shall be paid on the last day of December, annually, to the owner of every vessel or his agent, by the collector of the district where such vessel may belong, that shall be qualified agreeably to law for carrying on the bank and other cod fisheries, and that shall actually have been employed therein at sea for the term of four months, at the least, of the fishing season next preceding, which season is accounted to be from the last day of February to the last day of November in every year, for each and every ton of such vessel's burthen according to her admeasurement as licensed or enrolled, if of 20 tons and not exceeding 30 tons, \$2.40, and if above 30 tons, \$4, of which allowance aforesaid three-eighths part shall accrue and belong to the owner of such fishing vessel and the other five-eighths thereof shall be divided by him, his agent or lawful representative, to and among the several fishermen who shall have been employed in such vessel during the season aforesaid, or a part thereof, as the case may be, in such proportion as the fish they shall respectively have taken may bear to the whole quantity of fish taken on board such vessel during such season: *Provided*, That the allowance aforesaid on any one vessel for one season shall not exceed \$272.

SEC. 6. *And be it further enacted*, That from and after the last day of December, 1814, there shall also be paid, on the last day of December, annually, to the owner of every fishing boat or vessel of more than 5 tons and less than 20 tons, or to his agent or lawful representative, by the collector of the district where such boat or vessel may belong, the sum of \$1.60 upon every ton admeasurement of such boat or vessel, and shall accordingly be so divided among all persons interested therein: *Provided, however*, That this allowance shall be made only to such boats or vessels as shall have been actually employed at sea in the cod fishery for the term of four months at least of the preceding season: *And provided also*, That such boat or vessel shall have landed in the course of said preceding season a quantity of fish not less than 12 quintals for every ton of her admeasurement; the said quantity of fish to be ascertained when dried and cured fit for exportation, and according to the weight thereof as the same shall weigh at the time of delivery when actually sold, which account of the weight with the original adjustment and settlement of the fare or fares among the owners and fishermen, together with a written account of the length, breadth, and depth of said boat or vessel, and the time she has actually been employed in the fishery in the preceding season, shall in all cases be produced and sworn or affirmed to before the said collector of the district, in order to entitle the

owner, his agent, or lawful representative to receive the allowances aforesaid. And if at any time within one year after payment of such allowance it shall appear that any fraud or deceit has been practiced in obtaining the same, the boat or vessel upon which such allowance shall have been paid, if found within the district aforesaid, shall be forfeited; otherwise the owner or owners having practiced such fraud or deceit shall forfeit and pay \$100, to be sued for, recovered, and distributed in the same manner as forfeitures and penalties are to be sued for, recovered, and distributed for any breach of the act entitled "An act to regulate the collection of duties on imports and tonnage."

SEC. 7. *And be it further enacted*, That the owner or owners of every fishing vessel of 20 tons and upward, his or their agent or lawful representative, shall, previous to receiving the allowance made by this act, produce to the collector who is authorized to pay the same the original agreement or agreements which may have been made with the fishermen employed on board such vessel as is hereinbefore required, and also a certificate, to be by him or them subscribed, therein mentioning the particular days on which such vessel sailed and returned on the several voyages or fares she may have made in the preceding fishing season, to the truth of which he or they shall swear or affirm before the collector aforesaid.

SEC. 8. *And be it further enacted*, That no ship or vessel of 20 tons or upward, employed as aforesaid, shall be entitled to the allowance granted by this act unless the skipper or master thereof shall, before he proceeds on any fishing voyage, make an agreement, in writing or in print, with every fisherman employed therein, according to the provisions of the act entitled "An act for the government of persons in certain fisheries."

SEC. 9. *And be it further enacted*, That any person who shall make any false declaration in any oath or affirmation required by this act, being duly convicted thereof in any court of the United States having jurisdiction of such offense, shall be deemed guilty of willful and corrupt perjury, and shall be punished accordingly.

SEC. 10. *And be it further enacted*, That this act shall continue in force until the termination of the war in which the United States are now engaged with the United Kingdom of Great Britain and Ireland and the dependencies thereof and for one year thereafter, and no longer.

Approved, July 29, 1813.

(The above act was continued by act of February 9, 1816.)

(Amended, March 3, 1819.)

[Fifteenth Congress, second session, chapter 88.]

AN ACT in addition to and alteration of an act entitled "An act laying a duty on imported salt, granting a bounty on pickled fish exported, and allowances to certain vessels employed in the fisheries."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the passing of this act there shall be paid, on the last day of December, annually, to the owner of every fishing boat or vessel, or his agent, by the collector of the district where such boat or vessel may belong, that shall be qualified agreeably to law for carrying on the bank and other cod fisheries, and that shall actually have been employed therein at sea for the term of four months at least of the fishing season next preceding, which season is accounted to be from the last day of February to the last day of November in every year, for each and every ton of such boat's or vessel's burden, according to her admeasurement as licensed or enrolled, if of more than 5 tons and not exceeding 30 tons, \$3.50; if above 30 tons, \$4, and if above 30 tons and having had a crew of not less than 10 persons, and having been actually employed in the cod fishery at sea for the term of three and one-half months at the least, but less than four months, of the season aforesaid, \$3.50: *Provided*, That the allowance aforesaid on any one vessel for one season shall not exceed \$360.

SEC. 2. *And be it further enacted*, That such parts of the fifth and sixth sections of the act hereby amended as are contrary to the provisions of this act be, and the same are hereby, repealed.

Approved, March 3, 1819.

[SEC. 5 of an act reducing the duty on imports, and for other purposes. (Chapter 74, Twenty-ninth Congress, first session, July 30, 1846.)]

SEC. 5. *And be it further enacted*, That from and after the first day of December next, in lieu of the bounty heretofore authorized by law to be paid on the exportation of pickled fish of the fisheries of the United States, there shall be allowed on the exportation thereof, if cured with foreign salt, a drawback equal in amount to the duty paid on the salt, and no more, to be ascertained under such regulations as may be prescribed by the Secretary of the Treasury.

Approved, July 30, 1846.

[SEC. 4, chapter 298, Laws of 1866, Thirty-ninth Congress, first session.]

SEC. 4. *And be it further enacted*, That all laws and parts of laws allowing fishing bounties to vessels hereafter licensed to engage in the fisheries be, and the same are hereby, repealed: *Provided*, That from and after the date of the passage of this act, vessels licensed to engage in the fisheries may take on board imported salt in bond to be used in curing fish, under such regulations as the Secretary of the Treasury shall prescribe, and upon proof that said salt has been used in curing fish the duties on the same shall be remitted.

[March 1, 1817.]

AN ACT Concerning the navigation of the United States.

SEC. 3. *And be it further enacted*, That after the 30th day of September next the bounties and allowances now granted by law to the owners of boats or vessels engaged in the fisheries shall be paid only on boats or vessels, the officers, and at least three-fourths of the crews of which shall be proved, to the satisfaction of the collector of the district where such boat or vessel shall belong, to be citizens of the United States or persons not the subjects of any foreign prince or State.

[June 28, 1864.]

AN ACT Repealing certain provisions of law concerning seamen on board public and private vessels of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That so much of an act entitled "An act for the regulation of seamen on board the public and private vessels of the United States," approved the 3d of March, 1813, as makes it not lawful to employ on board any of the public or private vessels of the United States any person or persons except citizens of the United States or person[s] of color, natives of the United States; and so much of the third, fifth, sixth, and seventh sections of "An act concerning the navigation of the United States," approved the 1st of March, 1817, as concerns the crews of vessels therein named; and so much of the first section of an act entitled "An act to repeal the tonnage duties upon ships and vessels of the United States and upon certain foreign vessels," approved the 31st of May, 1830, as makes discrimination in favor of vessels certain proportions of whose crews shall be citizens of the United States, shall be, and the same are hereby, repealed: *Provided, however*, That officers of vessels of the United States shall in all cases be citizens of the United States.

APPENDIX F.

JAPAN'S MERCHANT MARINE.

[From the Nautical Gazette, March 3, 1904.]

Mr. K. Uchida, director of the marine bureau, Empire of Japan, prepared and read a most interesting paper at the last meeting of the Japanese Society of Naval Architects, which was held in Osaka. This paper was entitled "On shipbuilding bounties, as applied in Japan and abroad," and is a complete history of the rapid rise of the nation among the maritime powers of the world.

When she fought with China, Japan had few merchant vessels and fewer war vessels. At the close of this war the Government resolved to encourage not only shipbuilding, but the establishment of steamship lines to various parts of the world as well. To stimulate her citizens and shipowners to activity in these lines liberal inducements were offered. The Government passed an act in 1896, to remain in force 18 years, which especially encouraged not only the building of ships but of running them. The following bounties were provided for: All vessels of over 700 tons to 1,000 tons, if built in Japan, were to receive 12 yen (about \$6) per ton, and those over 1,000 tons were to receive 20 yen (about \$10) per ton upon the vessel itself. For the machinery a uniform rate of 5 yen per indicated horsepower (determined on trial) was to be paid on all native-built steamers over 700 tons. Up to the end of 1903, 31 steamers had been built in Japan, and 10 more were being built, all of which came under the head of this act. The total tonnage of these steamers was something over 86,000 gross tons, and the total indicated horsepower over 71,000.

Aside from the stimulating influence of an act that makes it obligatory on the Government to assume a portion of the original cost of a vessel, it also provides for the regular payment of subsidies or bounties to those vessels when placed in the foreign trade. The amounts of subsidy paid each year by Japan to such vessels for the first six years succeeding the passage of the act were as follows:

1897 -----	\$360,000	1900 -----	\$605,000
1898 -----	1,315,000	1901 -----	450,000
1899 -----	2,020,000	1902 -----	160,000

The reason for the rapid decline in the amounts paid after the year 1899 is explained in the following manner: Under the act of 1896 all Japanese steamers of more than 1,000 tons and of a speed exceeding 10 knots receive subsidy just as long as they are engaged in the foreign trade, the minimum subsidy amounting to 25 sen (about 12½ cents) per ton per 1,000 miles traveled. With the increase and size of the ship, as well as of speed, the subsidy increases up to 60 sen (30 cents), the tonnage required to insure this highest rate being 6,000 and speed 17 knots. From the date of the launch of the steamer up to and including her fifth year, the subsidy is paid in full. After the fifth year it is reduced 5 per cent every year, and when the steamer is 15 years old it is withdrawn altogether.

It is stated that the encouragement thus given was found to be insufficient to induce Japanese owners to enter into serious competition with well-established foreign steamship companies. This fact known, in 1899 a new departure was made, and the Government entered into special contracts with steamship owners to give regular service on certain definite routes. As these lines receive the special subsidy only, the steamers that benefit under the old arrangement are fewer than was previously the case. Thus the special subsidies now being paid and assured steamship lines predominate largely over those paid out on account of the old act of 1896. At the present time the definite contracts with the Government are those in force with the Nippon Yusen Kaisha, the Toyo Kisen Kaisha, the Osaka Shosen Kaisha, the Daiichi Kisen Kaisha, H. Oie & Co., and the Hunan Steamship Co. The Nippon Yusen Kaisha is, of course, the leading line, and naturally controls the largest number of steamers and the principal routes. These routes, and the subsidies paid, are as follows:

Yokohama to Melbourne, employing 3 steamers of 3,500 tons and above; speed, 16 knots and above. A monthly service. Subsidy, \$268,000. Contract runs from April, 1901, to March, 1906.

Yokohama to Bombay, employing 3 steamers of 3,000 tons and above; 10 knots and above. A monthly service. Subsidy, \$91,000. Contract runs from April, 1901, to March, 1906.

European line, employing 12 steamers of 6,000 tons and above; 14 knots and above. A fortnightly service. Subsidy, \$1,364,000. Contract runs from January, 1900, to December, 1909.

Hongkong to Seattle, employing 3 steamers of 6,000 tons and above; 15 knots and above. A four weeks' service. Subsidy, \$333,500. Contract runs from November, 1901, to December, 1909.

Also mail routes:

1. Yokohama to Shanghai, employing 3 steamers of 2,250 tons and above; 14 knots and above. A weekly service.

2. Kobe to North China, employing 3 steamers of 1,400 tons and above; 12 knots and above. A weekly service, except in winter.

3. Kobe, Korea, and North China, employing 1 steamer of over 1,400 tons; speed, over 12 knots. A 4 weeks' service.

4. Kobe to Vladivostock, employing 1 steamer of over 1,400 tons and 12 knots. A 4 weeks' service.

5. Kobe to Oturu, employing 12 steamers of 1,400 tons and above; 14 knots and above; 2 routes, eastern, 10 times a month; western, weekly.

6. Aomori to Mororan, employing 3 steamers of 700 tons and above; 10 knots and above. A daily service.

The joint subsidy for the foregoing 6 mail routes is \$280,500. Contract runs from October, 1900, to September, 1905.

The Toyo Kisen Kaisha runs its steamers between Hongkong and San Francisco. It employs 3 vessels of 6,000 tons and above, and 17 knots and above. It gives a 4 weeks' service. The subsidy is \$517,000 per annum. The contract runs from January, 1900, to December, 1909.

The following routes are covered by the Osaka Shosen Kaisha: Shanghai to Hankow, employing 3 steamers of 2,000 tons and above; 11 knots and above. A biweekly service; in winter, three times a fortnight. Subsidy, \$125,000. Contract runs from January, 1898, to December, 1907. Hankow to Ichang, employing 2 vessels of 1,500 tons and above; 10 knots and above. Service six times a month; in winter four times. Subsidy, \$56,000. Contract runs from January, 1899, to December, 1907. Kobe to Korea, employing 2 steamers of 700 tons and above; 10 knots and above. A three weeks' service. Subsidy, \$15,500. Contract runs from October, 1900, to September, 1905.

The Daito Kisen Kaisha have vessels on Chinese rivers and receive \$20,500 subsidy, and H. Ole & Co. operate steamers on the Japanese Sea, and enjoy a yearly bounty of \$70,000.

The special service above enumerated costs the Japanese Government \$3,150,000 a year, in addition to the amounts given on account of new hulls and machinery, and the ordinary subsidy to vessels engaging in the foreign trade not on regular lines.

APPENDIX G.

HOW SWEDEN ENCOURAGES DEEP-SEA TRADE.

[From the Nautical Gazette, Nov. 10, 1904.]

As an evidence of the manner in which the comparatively insignificant maritime country of Sweden aids and encourages its shipowners, the following facts regarding loans made by the Government to a number of lines, taken from a Swedish trade journal, called "Affarsvarlden," which, broadly translated, means "The Business World," is cited:

"Some time ago we enumerated the Swedish shipping firms which have been granted considerable loans in order more effectively to develop the Swedish shipping trade abroad. It is evident that this step will also be of great advantage to our export trade, in both direct and indirect ways. The Tirfing Steamship Co., which obtained a grant of \$80,400, commenced its activity with three small ships, plying on the Baltic and the North Sea. Since 1897 the steamers have become larger and more numerous, and they now number 16, keeping up different trades both on the above-named seas and on the Atlantic. The capital of the company, which has risen to \$346,880, will now be further increased by \$104,300 for buying two new steamers.

The company has gone in chiefly for the foreign shipping to and from Sweden. Thus it has run 1 steamer with freights between ports in North America and Tampico in Mexico; 5 steamers with ore freight from Narvik and Lulea to the Netherlands, England, and Belgium; 5 steamers with coal and timber freights on the Baltic and North Seas; 2 steamers with ore freights from Oxelund to Stettin, and finally 3 steamers on the south-coast Baltic route. The Motala Shipping Co., having been granted \$26,800, has, since 1899, chiefly carried on navigation on the Baltic and the North Seas, in some cases extended to the Mediterranean and the White Seas. The Disa Shipping Co. has run its ships between Sweden and England, or France, and also between these last countries and Portugal. Lately the company bought a new, large steamer, built in Sweden, which is intended for carrying freight between North America, the West Indies, and South America. The same company even contemplates establishing a coast route in China. Mr. Marcus Wallenberg, who obtained a loan of \$53,332, states that the South African Trading Co. has sold its steamer to him. This will be sent on with freights to distant waters. The company has just bought another steamer, which will pass into the hands of Mr. Wallenberg to be used for distant navigation.

"The Nike Shipping Co. also has lines to South Africa. It is, indeed, of great importance that we should get direct trade with those ports, since our exporters have had to send their goods via Hamburg, Antwerp, or London, which, of course, made the expenses very heavy. The company will run 4 steamers, sending 1 every month from Sweden. Mr. C. J. Sandell has sent his ships to Brazil, the West Indies, North America, South Africa, and Australia. The Helmdal Steamship Co. was granted a loan of \$47,168. It has carried on freight traffic with 3 steamers without any regular routes, chiefly between ports in Russia, Germany, England, and France. In a smaller degree it has carried coal, stone, timber, and wood pulp. One steamer has also been plying between ports on the Mediterranean and England.

The total amount loaned by the Government, as outlined above, is over \$400,000, and this has all been given in recent years. It is a notable fact that all countries that have a realizing sense of the importance of a merchant marine to do their transporting consider the maritime situation most carefully and consistently, and when Government aid will accomplish anything they are not slow to cooperate and assist in the placing of lines of trade on a firm and enduring basis. They appreciate fully and vividly the necessity of such maritime strength.

[House Report No. 4136, part 2, Fifty-eighth Congress, third session.]

VIEW OF THE MINORITY.

The bill is the one recommended by the majority of the Merchant Marine Commission, without change. The commission was authorized by the law of its creation to report what legislation is desirable for the development of the American merchant marine. It was not given jurisdiction over the naval program, yet, singularly enough, it brings forth a bill entitled "A bill to promote the national defense, create naval volunteers," etc.

The reason is not far to seek. An examination of the hearings shows that everywhere the commission was met with storms of opposition to subsidies, while the friends of subsidies advised the commission to avoid the use of that word and to eliminate the thoughts of it from the people's minds as far as possible. And so the bill is called one to promote the national defense; the subsidies are called subventions; and throughout the bill covers are used to hide the real purposes—a coating of sugar is put over the offensive dose.

The principal subsidy features of the bill are contained in sections 2, 3, and 4. These are so obnoxious that the minority recommends the rejection of the whole bill unless these sections shall be eliminated.

The bill provides four separate remedies for our decadent merchant marine:

1. Payment of annual bounties to American officers and sailors engaged in foreign trade, ranging from \$25 to \$100 each, averaging about \$50. (Sec. 1.)

The men receiving these retainers are called "naval volunteers" and are subject to be called on to serve in the Navy in case of war. No payments are made to sailors in the coastwise or lake traffic.

2. A bonus of \$5 per ton per annum for each steam and sailing vessel engaged in the foreign trade during 11 months of the year; lesser amounts for lesser periods. (Secs. 2, 3, and 4.)

3. A discriminating high tonnage tax against foreign vessels. (Secs. 8 and 9.)

4. Large mail payments to 10 new lines to South American, Central American, South African, West Indian, and Asiatic ports. (Secs. 5 and 6.)

The last (No. 4) meets our approval, and standing alone we would be pleased to vote for it, although perhaps it ought to be amended in some particulars.

The third is one of the methods recommended by this minority at the last session for upbuilding our merchant marine, and the principle now meets our approval if not in violation of our treaties with foreign nations. We had hoped the commission would recommend the abrogation of those treaties.

The first is of trifling importance, and we pass it without comment.

The second is the important feature of the bill, and condemns the whole bill in our eyes as unworthy of support.

GENERAL SUBSIDIES.

We predicted last winter that the Gardner commission bill was the forerunner of a subsidy bill, and the prediction has been fulfilled. The payments of \$5 per ton per annum to steam and sailing vessels under sections 2, 3, and 4

are general subsidies, pure gifts out of the Public Treasury to private persons for the advantage of their private business. Herein the bill proposes to follow the French plan of giving general subsidies to sailing vessels and tramp steamers (not on a mileage basis, but a tonnage basis). We are asked to imitate France, although the French experience has proved so disastrous and dismal a failure.

No limit is set in point of time or amount to these gifts to private interests. The sailing vessels get the choicest plums. They are given as much as steam vessels, although it costs only one-third as much to operate them. The Government gets nothing substantial in return.

What are the alleged equivalents for these bonuses of money, these untold millions? They are six in number:

First. "That the Government may take the vessel for public purposes at a fair valuation any time it may choose." These vessels to be benefited are sailing vessels and tramp steamers (not liners), wholly unsuited for any Government service, and not 1 in 500 would ever be needed, even in case of war.

Second. "They shall carry the mails free on their voyages, if asked by the Government." Everyone knows they would never be asked. The stoutest advocates of the bill will not claim that any mails are expected to be carried on these boats.

Third. "One-sixth of the crew shall be citizens of the United States or intended citizens." As the statistics show that one-half of the sailors now on American vessels are such citizens, it is easy to see that no new requirement is added in this.

Fourth. "The vessel to get the subsidy (or subvention so-called) shall be rated of a certain class by insurance underwriters." This is a limitation to shut out unseaworthy vessels, but calls for nothing new from those entitled.

Fifth. "All ordinary repairs shall be made in the United States." The Government gets no benefit from this, and moreover the evidence shows that all vessel owners make ordinary repairs in the home ports or as near by as possible as a matter of economy, for the simple reason that they are robbed abroad.

Sixth. "After July 1, 1907, one-eighth of the crew must be enrolled as naval volunteers (so-called). After July 1, 1911, one-sixth, and after July 1, 1916, one-fourth." The naval volunteer is simply a name for a sailor in the foreign trade who gets (under sec. 1) from \$25 to \$100 for being called a naval volunteer. No service is required of him, but he is subject to call for service in the Navy in time of war. For the next 11 years the proportions fixed in this subdivision are merely trivial.

The first section of the bill, which is an entirely separate subject-matter, provides ample and abundant reward for inducing a much larger proportion of the crews of these vessels to permit themselves to be called naval volunteers than is called for by this stipulation, hence this subdivision adds no new burden and makes no real requirement.

None of these six requirements calls for the expenditure of a dollar by the vessel owner and not a new advantage is given the Government, hence the so-called subventions are pure gifts—subsidies.

Having thus pointed out that the \$5 per ton per annum is a gift or subsidy from the Treasury to the private shipowner for nothing substantial in return, let us treat it as such and examine the merits of the scheme.

The Government is required to pay \$5 per gross registered ton on each steam or sailing vessel engaged during 11 months of the year in the foreign trade—not including, however, those carrying the mails under other sections.

The majority of the commission estimates (Report, p. xxxvi) that this section will call for \$2,244,000 for the first year, but gives no estimate for those later years when it shall be in full operation. The commission cuts the estimate to the quick even for the first year, but no man can tell what millions will be required after it once gets fairly started. In our opinion the estimate for the first year is too low, for reasons stated hereinafter. If one-half of our commerce were carried in American vessels, the subsidies under this section would be at least \$15,000,000 per annum.

Why does the commission halt after giving the estimate for the first year? Is it appalled by the figures for later years?

No man knows what this bill will pull out of the Treasury and give to these favorites who have been so persistently pursuing Congress for so long. The subsidy is unlimited as to duration and unlimited as to amounts, except that no one vessel can draw subsidy more than 10 years.

A pernicious feature is the absence of a time limit to the scheme. The bill carries its own appropriations, and the plan is evidently intended to be permanent. Once let them get their hands in the Treasury, how can their grasp ever be loosened? They will hang on as firmly as the Steel Trust does to its "snap."

The herculean task of enacting legislation to put an end to legalized graft is known to all of us. Even the French scandal had a time limit.

One of the most notorious scandals of the French subsidy scheme is that it fully pays the operating expenses of the vessel, so that she may sail without cargo and still make money. (Hearings, 115-116, 1495.)

The same thing is precisely true as to sailing vessels under this bill. The subsidy of \$5 per ton is so large that it will in many cases pay all the operating expenses and leave a nice margin besides. The expenses of a 4,000-ton sailing vessel, including insurance, are about \$53 per day, or \$17,750 per 11 months. (Evidence, p. 326.) The subsidy for the same period of sailing under section 2 would \$20,000.

This elegant donceur ought to cover the ocean with sailing fleets roving around to earn subsidies, and incidentally picking up a little freight here and there on the side, and when the subsidy is withdrawn they will stop sailing, as the French are now doing. (Hearings, p. 1199.)

All the objections which pertain to subsidies attach to these sections. It is unnecessary to repeat the arguments recounting their vicious un-American character. Everything that is decent and honest is against them. All experience is against them.

The most notable example and precedent in history for these sections of the bill, the French subsidy of the last 20 years, has proved a lamentable failure from every point of view. This is denied by nobody.

No evidence given before the commission affords the slightest encouragement for the permanent success of the scheme. It is simply a deliberate grab at the public purse to gratify the bold lobbyists who have camped in Washington for nearly eight years.

Under this section vessels doing a prosperous coastwise trade entirely free from foreign competition may participate in these large subsidies. For illustration, take the lines now engaged in profitable protected trade between Seattle and Alaska. By stopping at Victoria, British Columbia, they will come under the bill and be entitled to subsidies.

Likewise, as to the lines from San Francisco to Puget Sound points, by simply extending their trips over the border to Victoria. Many other similar cases will arise.

Again, the vessels may claim the subsidies, although engaged in commerce wholly or almost wholly between ports of foreign countries, just as the French subsidized vessels have been doing.

To cure these manifest defects we offered an amendment to section 2, as follows:

"Provided, That these subventions as to vessels engaged in the foreign trade shall be paid only as to vessels the principal part of whose business shall be between the ports of the United States and foreign ports."

It was voted down, some gentlemen contending that the section already meant just that, and others insisting that vessels should have the right to do coastwise trade on the same trip and still draw subsidies.

The commission estimates that the bill will call for payments the first year amounting to over \$3,000,000. These are not payments for increasing the marine, but gifts to the vessels now running.

Without the addition of a ton of shipping or the employment of another man this bill proposes to give the men now engaged in a private business millions of money to help them along. They cry aloud and say business is poor and they must have help, but in the same breath they admit that shipping the world over is depressed, too much tonnage, and freights are too low; that foreign shipping is suffering as well as American just at present, and that the pendulum will soon swing the other way.

It is said the foreigners are subsidized, hence they have the advantage; but, as shown by the evidence, this is not true as to the successful shipping nations of the world. It is true as to France, but her example is so horrible that the chairman of the commission publicly declared at the sitting in Portland that it was unworthy of imitation. (Hearings, p. 1126.)

The adoption of sections 5 and 6 (new mail lines) will give substantially every advantage to American shipping now given by any important foreign nation excepting only France.

Throughout the hearings no complaint (so far as we now remember) was made by our vessel men of the competition of the vessels of any European nation except the English, German, Scandinavian, and French.

The first three give no subsidies and are far and away the most prosperous. The French subsidy scheme is denounced everywhere as a world-wide scandal and a monumental failure. This last is the one the commission wants to follow and to outdo.

[NOTE.—Italy has tried the scheme of general subsidies on the same lines as France, but on a smaller scale. It is an admitted failure.]

The evidence given before the commission establishes the following propositions, some of them indisputably and the others by the great preponderance of the testimony.

1. There is now a great overplus of tonnage in the world. Hence shipbuilding is distressed the world over and freights are very low. Very few vessels are making any profit. (Hearings, pp. 73, 303, 336, 344, 708, 714, 717, 719, 723, 726, 928.)

2. Freight rates are exceedingly low from the United States to all foreign points. American producers and shippers profit thereby largely at the expense of foreigners. (Id.)

3. The most successful nations in their shipping give no general subsidies. They are England, Germany, Norway, and Sweden.

4. England is the great shipping nation of the world, exceeding all others put together. She gives no subsidies; she gives big mail pay to a few liners. Not one vessel in a hundred of her enormous fleets gets one dollar of Government money in any form. (Hearings, pp. 663, 1304, 1449, 1499, 1537.)

Norway shipping has increased more rapidly than any other of late. She gives no subsidies and but trifling mail pay. (Hearings, pp. 646, 947.) Likewise Sweden. (Id.)

Germany fosters her shipping indirectly and makes liberal mail payments but gives no general subsidies. (Hearings, pp. 942-943.)

5. No great nation which is in competition with us gives any general subsidies except France.

No government aid of any kind is given to sailing vessels by any important nation except France. (Hearings, p. 1197.)

6. France has tried the experiment of general subsidies to the limit. The experiment has not only proved a failure, it has proved a curse to all the shipping interests, has demoralized all trade, and is execrated at home and abroad. Its workings have been utterly deplorable, as admitted by everybody, even the chairman of this commission. (Hearings, pp. 197, 269, 270, 1016, 1017, 1093, 1188, 1199, 1294, 1495, 1450, 1451, 1126.)

7. So utterly unsatisfactory has been the French subsidy scheme that the nation has refused to appropriate the moneys called for by the law, and \$25,000,000 are now due and unpaid. (Hearings, pp. 1199, 1450-1451.) With this record of dismal failure, the commission proposes to follow the example of France—give general subsidies and extraordinarily large subsidies to sailing vessels.

8. Millions of American capital are invested in shipping under foreign flags. (Hearings, pp. 420, 1494, 1508, 1539, 1445.)

9. Large numbers of vessels flying the Norwegian flag are operated by Americans. They run out of American ports to West Indies, Central America, Mexico, and other foreign nations, and touch at a Norway port about once in two years. (Hearings, pp. 1494, 1508, 1539, 1445.)

10. Probably 1,500,000 to 2,000,000 tons of shipping under foreign flags are so owned or operated by American citizens. (Id.) Some American railroads own their own fleets of Atlantic transports, operating under foreign flags. Many Americans are employed on this shipping and all the profits of the trade come to America.

11. One prominent cause of the decline of American shipping is the fact that both American capital and labor have been far more profitably employed on land in the development and upbuilding of this new country. (Hearings, pp. 309, 381, 588, 787, 907, 928, 929, 969, 1016, 1491, 1574.)

12. One serious handicap on our shipping is the undisputed fact that American steel is laid down regularly at the shipyards in Europe, freight paid, for about \$8 per ton less than the same steel is sold for in Pittsburgh to American builders. (Hearings, pp. 77, 78, 424, 565, 811.) Steel in a ship is 40 per cent of its cost. (Hearings, p. 813.)

13. The great preponderance of independent sentiment throughout the country, as shown by the hearings, is opposed to subsidizing the merchant marine. Very few people favored that course, except those whose palms were itching to get into the Public Treasury. For sample denunciations of subsidies, see Hearings, pages 164, 165, 196, 203, 290, 337, 338, 390, 391, 453, 645, 646, 660, 720, 725, 810, 917, 931, 1016, 1017, 1496.

14. The major sentiment, even among shipping people, seemed to favor the discriminating-duty plan. (Hearings, pp. 84, 87, 105, 149, 353, 355, 425, 426, 430, 435, 488, 633, 916, 919.)

In conclusion, we recommend to the earnest consideration of Members the report of the minority members of the Merchant Marine Commission, prepared by Representative Spight, which deals at length with the subsidy features of the bill and again commends to the favor of Congress the ancient and honorable discriminating-duty plan, which report we attach hereto and make a part of these views.

THO. SPIGHT.
ROBT. W. DAVIS.
J. A. GOULDEN. -
ALFRED LUCKING.
JNO. H. SMALL.

VIEWS OF THE MINORITY, MERCHANT MARINE COMMISSION.

It is agreed by every observant man who has given thought to the subject that our shipping interests in the foreign trade are in a deplorable condition. That something ought to be done to restore to American bottoms a reasonable percentage of our export and import carrying trade is conceded by all; the only difference of opinion is as to what the remedy should be.

A return to the discriminating-duty policy appears to be generally favored, as shown by the hearings of the Merchant Marine Commission at the most important ports on the Atlantic, Pacific, and Gulf coasts and on the Great Lakes. This was the policy of the fathers of the Republic, under which our shipping interests were so marvelously developed in our early history. Under this policy merchant ships flying the American flag were seen in every important port of the civilized world, and under its fostering care our ships carried more than three-fourths of our exports and imports. Although our business has increased so wonderfully that we are now the largest exporting nation in the world, with corresponding imports, only 8 or 10 per cent of our foreign carrying trade is done in American bottoms.

The objections urged to a return to this system are based upon the necessity of abrogating treaties with nearly all the maritime countries and the fear of retaliation. That those treaties all operate to the great disadvantage of the United States under present conditions is not seriously denied in any quarter. They all provide, too, for abrogation at the instance of either party to the convention upon the prescribed notice, so that no element of bad faith could be charged if steps should be taken to abrogate. In the light of our earlier experiences and in view of the peculiar existing conditions, we think the fear of retaliation is not well founded. In our infancy as a nation we not only faced this danger courageously, but successfully, and our shipping industry prospered far beyond anything we have witnessed since we bound ourselves by treaties to virtually surrender our business on the high seas. At present the larger part of our exports are food and clothing products, either in the raw or finished state, and the countries which are our best customers can not afford to discriminate against our goods, because this would only tend to increase the cost of necessities to their own people.

The strongest argument presented against this policy is the fact that about 40 per cent of our imports are of goods which are now on the "free list," and that the only way to enforce discrimination in respect to such imports would be to increase the "dutiable list." Of course, we do not advocate an increased cost of imported goods to the American consumer, but with the treaties out of the way we might meet this difficulty by imposing a low rate of duty on many of the imports when brought in foreign bottoms, but still to be free from tariff when brought in our own ships, and thus enable American vessels to compete successfully with foreign ships in freight charges and at the same time minimize the danger of increased cost to the consumer. What we want to do is to give some assurance to our foreign-going ships that they will have return cargoes, which would go far toward settling the question of the carrying of

our exports in our own bottoms. But we are not willing, nor do we think it necessary, to commit ourselves to the proposition that anything now upon the "free list" should be made "dutiable." We prefer to take the chances of aiding our merchant marine by discriminating duties upon the 60 per cent of imports now on the "dutiable list."

This, we believe, would result in permanent assistance to our languishing shipping interests without imposing any additional burdens upon the public. We wish to aid our merchant marine by reducing burdens, not increasing them. It is also shown by the hearings before the commission that there is a material difference between the cost of construction in American shipyards and in foreign. A part of this difference is due to the greater cost of labor, but this is largely overcome by the greater efficiency of the American artisan and the use of improved tools; but it appears to us that the unnecessary and exorbitant tariff imposed upon steel and iron products is one of the greatest impediments to cheaper ships in American yards.

The steel manufacturers in this country are the richest and best equipped in the world, and have long since outgrown the necessity, if any ever existed, for the protection accorded to "infant industries." It is a shame and an outrage upon the American people that manufacturers in this country should be able to sell in foreign countries any products of their factories at lower prices than are charged their own countrymen at home. This condition applies with especial force to the subject now under consideration. It has been conclusively shown by testimony before this commission that materials which enter into the construction of ships are sold by our factories and laid down in foreign shipyards for a price far below that charged at the mills to our own people—a condition which could not exist but for the unjust provisions of our tariff laws. Mr. Edward S. Cramp, of the Cramp Shipbuilding Co., in May, 1904, stated to the commission that foreign shipbuilders were then paying only about \$25 per ton for materials that cost the American shipbuilder \$40 per ton, "a handicap against him of \$15 per ton."

Mr. James C. Wallace, of the American Shipbuilding Co., told the commission at Cleveland, Ohio, June 28, 1904, that the United States Steel Corporation was selling great quantities of steel to foreign shipbuilders, delivered at Belfast, at \$24 a ton, while the price charged at its Pittsburgh mills was \$32 a ton. Deducting \$2 a ton for ocean transportation and \$1.40 for freight from Pittsburgh to tidewater, the Steel Trust is selling steel to foreigners at \$20.60 per ton that it sells to Americans at \$32. As Mr. Wallace said, "That would make \$11.40 difference between the Pittsburgh price to you and the price abroad." Mr. Wallace estimated that an 8,000-ton ship would require about 3,500 tons of steel materials, and that the discrimination of \$8 per ton would make a difference of \$28,000 in the cost of constructing this ship here or abroad. He said that about four years ago his company built two ships for the American Navigation Co. at a price about equal to the price for which they could be built in England at that time. "Steel was then," he said, "very much lower than it is to-day. The steel pools had not then been formed."

Mr. George W. Dickie, superintendent of the Union Iron Works, the largest shipbuilding plant on the Pacific coast, stated to the commission at San Francisco that he was in a Scottish shipyard in 1900 when they were building a vessel almost exactly like one he was building in his yards, and he saw there materials unloaded from a ship from New York furnished by Carnegie & Co. at about \$13 a ton less than he was paying for the same material from the same mills.

A large number of others testified to the same effect. It can be seen at once what an immense profit is given to the Steel Trust by the operation of law alone. A tariff which enables manufacturers to reap a bonus of from \$10 to \$15 a ton in addition to the legitimate profits is indefensible from any standpoint of honesty and fair dealing, and one of the first steps in the interest of shipbuilding in the United States ought to be to put at least all materials which enter into the construction of ships on the free list, no matter whether intended for the foreign or domestic trade.

The recent testimony, as well as the testimony given in former hearings, and the statements of experts made in newspapers and magazines during the last 10 years, indicates that the cost of constructing ships in American yards had, before the advent of Dingleyism and its brood of cormorant trusts, gotten down to about the cost of constructing ships in foreign yards. In the North American Review of January, 1892, Mr. Charles H. Cramp said that first-class ships could be built in American yards at about the cost of building them in foreign

yards. His words were, "Within as small a margin as would be likely to prevail in a similar case between any two British shipyards."

In his testimony before the Merchant Marine Commission at Philadelphia on May 27, 1904, Mr. Edwin S. Cramp said:

"For these reasons, enumerated above, the cost of ships in America, which at the time of the beginning of the McKinley administration had approximated the cost of the ships of a similar type by first-class builders in England within 10 or 15 per cent, to-day can not be produced within 40 per cent."

In an article in the *invasion of American goods in foreign markets* in the *Grandé Review*, quoted in *Consular Reports*, March 3, 1900, Mr. George Wellerse said:

"To-day ships may be built at Bath, San Francisco, Philadelphia, Wilmington, Chester, and Newport News as cheaply as anywhere in the world."

Many other similar statements might be quoted. As far back as 1896 Mr. John Roach, the great shipbuilder, said:

"The high cost of iron, produced by the tariff upon it, is one of the principal difficulties our commerce has to contend with. I did not come here to ask a bounty. I came here to tell you that, while all other articles of American produce are protected to a great extent, there is no protection for American ships. If Congress will take off all the duties from American iron, then we are prepared to compete with foreign shipbuilders. The labor question is misstated. We are prepared to meet that difficulty and to ask no further legislation on the subject."

Since then materials and supplies for our ships in foreign trade have been put upon the free list. The testimony before the Merchant Marine Commission shows that, for numerous reasons, this discrimination in favor of our foreign shipbuilders and owners has been of no practical benefit to them. One of the reasons, if not the prime one, is that ships built from foreign materials, in whole or in part, can not be used in our coastwise trade. To give our shipbuilders any benefit from free materials the tariff must be removed from materials from all ships. Probably, also, it will be necessary to remove the duties not only for materials but from all materials sold cheaper abroad than at home. In this way, and in this way only, will our shipbuilders be enabled to obtain our materials at the prices at which they are sold to foreign shipbuilders.

There was some startling testimony as to the difference of prices of materials to American and to foreign shipbuilders. Thus, Mr. Edwin S. Cramp told the commission that steel plates, shapes, angles, channel and bulb angles were, on May 27, 1904, selling at 1.75 cents per pound, while the prices ruling in England would permit these same materials to be delivered, clear of insurance and freight, but no duty paid, at Philadelphia for 1.40 cents per pound. He said that foreign shipbuilders were then paying about \$25 per ton for materials that cost American builders about \$40.

Thus far we have outlined briefly some measures for the relief of our shipping interest which if enacted into law would, in our judgment, accomplish substantial and permanent good without injustice to any other American interest and without doing violence to any fundamental principle of right or of organic law.

We regret that we can not agree with the majority of the commission in the legislation proposed. It would have been very gratifying to us if a unanimous report could have been made, and we have been willing to make concessions in order to accomplish this result. While there are objections to the entire bill as recommended by the majority, we are disposed to withhold any opposition except to sections 2, 3, and 4. These sections provide for direct subsidies, and are so obnoxious to Democratic principles and to the economic sense of the country that we are compelled to enter our earnest protest against their enactment into law.

Its chief difference from former direct subsidy bills is that it is not as honest as these bills were. It displaces the word "subsidy" with the word "subvention" and through the explanation with which it is launched seeks to create the impression that it only gives back to the shipping industry what is taken from it, or, rather, that it gives back to American ships what is taken in increased tonnage taxes from ships of all nations. But, on the contrary, it places in the Treasury the amounts to be received under it through tonnage taxes and takes out of the Treasury the appropriations provided for without any reference whatever to the relative amounts taken out and put in—without any limitation of the subsidy to the amount of the tonnage taxes—without any sort of limitation of the total to be paid out of the Treasury now or hereafter for the benefit of the merchant marine.

It will be remembered that the ship-subsidy bills first proposed during the last decade carried unlimited appropriations for the benefit of the shipping industry. The public sentiment against such bills was so strong that a limitation to nine million a year was made. The bills were so drawn that a few companies would have gotten the greater part of the benefit, and, because of public sentiment against the principle of subsidies and the unfairness of the distribution proposed, these bills were abandoned. We had thought that by legislative concessions both to public sentiment and wise economics we were through with subsidy bills and were to make an effort to devise other means to build up the merchant marine. But we have come back very nearly to the point from which we started, with the only difference consisting in subterfuges and disguises. We can not but see in the proposed bill the "trail of the serpent" that has been over all other bills on this subject.

We mean no reflection of duplicity against our colleagues on the commission, but the situation seems to be such that they can not get away from the idea of direct government aid. In this connection it is pertinent to note that our friends of the majority have refused to consider the theory of discriminating duties; have refused, with impatience, any consideration of the theory of free ships; have refused to make concessions of any sort through the protective-tariff system, that has helped to stifle shipping along with many lines of individual industry, and have come back to the most obnoxious plan of all—the taxation of all the people for the benefit of the one industry which they desire to help. Every argument that has been made against the subsidy bills of former Congresses applies against the direct subsidy features of this bill.

Section 2 ingeniously introduces the subject by the "sugar-coated" expression "in the interest of the national defense and for the performance of public services." Will the Congress of the United States and the American people suffer themselves to be deceived by this transparent disguise? Public sentiment and the sober judgment of the people's representatives have united to condemn every previous effort to enact such legislation, and surely this effort must meet the fate of its predecessors despite the canting phrase "in the interest of the national defense and for the performance of public services" and the substitution of the more euphonious title "subvention" for "subsidy."

Whatever objections to previous subsidy bills have been valid are of equal weight to-day against this section. It was urged against the previous bills that the cargo steamers received no consideration. A comparison or two will show how little this section differs in that respect from the previous bill. The *Mineola*, a steamship engaged in foreign trade on the Pacific coast, with a gross tonnage of 2,438, would receive under this section, \$12,190; under S. 727, H. R. 64, Fifty-sixth Congress, first session, and S. 5590, Fifty-fifth Congress, third session, \$11,885. The *Tacoma*, 2,811 tons, under this bill would receive \$14,055; under S. 727, \$14,505; H. R. 64, \$19,115; and under S. 5590, \$14,505. In 1899 the *Irrawaddy*, of less than 12 knots speed, with a gross tonnage of 2,553, made 10 round trips between New York and Granada.

This ship does not appear in the list of those registered for foreign trade in the year 1904, but for all this can well be used for comparison. Under this section she would receive \$12,785; under S. 727, \$13,020; under H. R. 64, \$13,020 also. The *Umatilla*, a 13-knot vessel of 3,069 tons, under this section would receive \$15,345; under S. 727, \$13,749; and under H. R. 64, \$15,261. (These estimates of subsidies under S. 727 and H. R. 64 are copied from the report of the Commissioner of Navigation for 1900.)

It appears then, that under a different guise the subsidy to cargo vessels under the bills of the Fifty-sixth Congress and the subvention under this section are almost identically the same thing. There are, however, one or two differences between the subsidy bills and this subvention section. S. 727 and H. R. 64, section 1 (a), both provide:

"That no vessel shall be entitled to the full compensation under this clause unless she shall have cleared from a port of the United States with cargo to the amount of 50 per cent of her gross tonnage."

This section of the bill as proposed contains no such provision nor any provision of any sort than the agreement to turn the ships over to the United States Government at any time for a fixed rate of hire, to carry mails free of charge if asked to do so when on a subvention voyage, and to have a certain small proportion of its crew American citizens.

Section 9 of S. 727 and H. R. 64 prohibit the paying of a subsidy to a vessel on a voyage extending to a foreign port less than 150 nautical miles from her last point of departure in the United States. S. 5590, section 6

(a), also contains the same exclusion. The reason for this exclusion is given on page 62 of the report of the Commissioner of Navigation for 1899.

A fair summary of the commissioner's reason is: Americans already control the trade. The vessels thus excluded have a varying tonnage from 400 up to 3,000 and more—all told, about 25,000 or 30,000 tons. It may be said that this is a mere bagatelle of only \$125,000 or \$150,000, and perhaps it does make materially little difference to the actual drain upon the Treasury of the people. But the items show clearly that this section proposed to give without restriction \$100,000 and more to steamship companies which are already in control of the trade almost as exclusively as if it was the coasting trade. We have already made a comparison between this second section of the proposed bill and S. 5590, showing that for all vessels under 10 knots the subsidy or the subvention or the compensation or the bounty is practically the same. The only apparent exception to this is in the case of a vessel of a slow rate of speed of a tonnage of approximately 3,000 making foreign voyages of a less distance than 1,000 miles each way.

In short, so far as the subvention under this section goes, this bill is one of a double set of twins, the others being S. 5590, S. 727, and H. R. 64.

Section 3: The different obligations incurred under this section by the owners of the ships, so far as the percentage of Americans employed is concerned, are not at all likely to make any change in the crew. The percentage, with possibly here and there an exception on the Pacific coast, is doubtless as large now as is required by this section. The total number of men required to man fully all the American seagoing vessels which go out of sight of land is estimated by the Commissioner of Navigation, on page 26 of his report for 1903, to be not more than 50,000. This includes sail and steam, deep-sea fisheries, foreign and coast trade ships. Of the half million gross tons of steamships registered for foreign trade in 1904, the 4 large ships of the International Mercantile Marine Co., the 3 largest ships of the Oceanic Co., 6 at least of the ships of the New York & Cuba Mail Steamship Co., 3 of the Red D Line, and the 4 of the Admiral Line are under contract to carry mails under the postal acts of 1891 and are in no way affected by this or any other section of this bill.

Further, under section 6 of this proposed bill there will be a considerable tonnage to enter upon the mail contracts proposed under that section. The remaining registered steam tonnage, after these contracts have been made of steamships engaged in foreign trade, six months or more each year is less than 300,000. For the fiscal year ending June 30, 1904, on both steamers and square-rigged sailing vessels there were shipped only 42,000 Americans (native and naturalized). This includes all the men shipped before United States commissioners, and by no means was this number of men, or anything like it, employed at any one time. Since there are, all told, engaged in trade out of sight of land, steam and sail, less than 50,000 men; since from 160,000 to 200,000 tons of the total of 500,000 registered tons do not come under this section at all; since officers are counted as a part of the crew; since several of the steamships registered are under 1,000 tons, it necessarily follows that the increase in the number of American citizens to be employed will be best represented by zero.

In other words, this part of this section effects nothing, does nothing. It is verbiage put in to fill our eyes and blind us to the real purpose of the bill. The other items of this section are of equal value. The enrollment of one-fourth of the crew in the naval volunteers after 1916 is either more dust thrown in our eyes or else the number of ships drawing subventions will be so large and the subventions amount to so enormous a sum that we shrink from even an attempt to estimate.

Section 4. This section provides that the contracts shall be for a period of one year, and may be renewed from time to time. The reputed purpose of this bill, so far as subventions go, is, as we have already said, "To promote the national defense and create a force of naval volunteers," but according to this section the contract is to be for a period of but one year, leaving the shipowner at perfect liberty to decline to renew the contract for a second year if he sees signs of war.

The Government, then, will be in no better condition so far as securing vessels for transport service or for naval volunteers than if this act were not in existence. Of course, if the shipowners think that it will be more profitable to them to turn their vessels over to the Government than to continue in trade, they will renew the contract and receive pay for the use of the ships by the United States. But this they would do in any event, subvention or no subvention. It

is clear, then, that this limit of one year attached to the contract the Government will have paid these ships the subventions, and yet will have no claim on them if the shipowners for any reason do not see fit to renew from year to year.

"DISTINCTION BETWEEN SUBSIDY AND SUBVENTION."

In the published reports of discussions relative to the question of ship subsidy reference is frequently made to what is called a "subsidy" paid by the British Government, the reason for the reference generally being to claim that since England pays a "subsidy" it is necessary that we also should follow her example if our vessels are to compete with British vessels. There is a radical mistake of fact involved in such statements, and such mistake grows out of want of information as to the distinction between a subsidy and the subvention paid by the British Admiralty. That distinction is practically as broad as a difference between a gift and a purchase. A subvention is an annual payment made by the navy authorities, which from the standpoint of the Government represents the advantage to the Government of having ready for its use, when required, a certain number of steamers which have been expressly constructed so as to be available as armed cruisers or transports. From the standpoint of the shipowner this payment is compensation for the increase of cost and diminished usefulness involved in having the vessel so constructed under the Admiralty regulation as to be available for use by the navy.

Vessels on which this subvention is paid are required to be constructed according to plans approved by the Admiralty. These plans require that the structure of the ship should be heavier and stronger than would be the case in a passenger ship; gun platforms are constructed on the decks, and the decks are built and supported so as to be ready for the immediate mounting of heavy guns. This accommodation of the structure of the ship to the needs of the navy is computed by experts to involve an increase of from 20 to 25 per cent in the cost of construction, and as this additional cost must be paid by the shipowner he is called upon in building his vessel to sink from 20 to 25 per cent of the cost in special structural work, which not only does not improve the ship for commercial purposes, but makes her heavier and diminishes the space available for cargo and passengers. The increase of weight caused by this special naval construction is computed to amount to between 1,000 and 1,200 tons on such vessels as those which now carry the mails between New York and England.

This means that at least 1,000 tons of cargo space which would otherwise be available is permanently made unavailable by special construction, and on every voyage the shipowners loses the freight which he could otherwise earn on this 1,000 tons of added weight in every voyage. Allowing a freight rate of \$2.50 per ton across the Atlantic, and allowing 12 voyages to the year (which is about the average of mail-carrying vessels), this item of dead freight alone means a loss of \$60,000 a year on each ship, aside from the original loss of from 20 to 25 per cent in increased cost of construction, and this increased cost of construction, of course, involves a subsequent loss of interest on the excess of cost, and a proportionate increase to the insurance and depreciation account against the ship.

This heavy burden, which is thrown upon the shipowner when he builds and runs such a vessel in ordinary business, is properly borne in part by the Government by means of an annual payment called a "subvention." This payment is for value received by the Government and value lost by the shipowner. It is a purchase by the Government of a preemptive right in vessels which are especially constructed and kept under Admiralty rules.

On the other hand, a subsidy is a gift for which the Government receives no direct equivalent, and which is intended to assist a new enterprise. These British subventions differ in principle and in effect from subsidies. If the British Government, for naval purposes, chooses to compensate shipowners for building and running auxiliary cruisers, that is no reason why we, for commercial purposes, should make gifts to our shipowners to increase their profits and so attract capital in the ocean-carrying trade. Subventions are based on military considerations, while subsidies are an extension of the principle of Government aid to certain industries, and a confusion of the two is a disregard both of facts and of principles.

The foregoing are a few reasons why we can not support the bill as favored by the majority of the commission. We believe that the subsidy features are wrong in principle and that it would result in an enormous expenditure from

the Treasury of the United States. We believe that the argument that the money to be thus expended would be in any appreciable degree derived from the increase of tonnage taxes is utterly fallacious. If anything is accomplished toward the building up of our own over-sea carrying trade, a large and steady decrease in the income from tonnage taxes is inevitable. It is equally true that under the same conditions there would be a rapidly growing increase in the amount paid in the way of subsidies.

It will be observed also that, unlike other subsidy bills which have been offered from time to time, there is absolutely no limit to the amount which may be expended under this bill. It may be true, and we hope it is, that for a short time the payments to naval volunteers and the increased expenditures for ocean mail service can be met by tonnage taxes and the profits from foreign mails; but it must be borne in mind that the expenses of the Marine-Hospital Service which have heretofore been paid from the fund arising from tonnage taxes must, under the proposed bill, be met by a direct appropriation from the Treasury.

A million dollars annually will be required for this purpose alone. So it will be seen that with an accelerated decrease of the fund arising from tonnage taxes and the lowering of the rate of profit from the ocean mail service it would not be long until there would be an increased drain from the National Treasury, leaving entirely out of view the subsidies provided for in sections 2, 3, and 4 of this bill.

What this increase would amount to can hardly be conjectured. What we do know is that the only limit is the number of vessels that would apply for the subsidy.

S. R. MALLORY.
THOS. SPIGHT.
A. L. McDERMOTT.

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS,
HOUSE OF REPRESENTATIVES,
Tuesday, August 18, 1914.

The subcommittee met at 10.30 o'clock a. m., Hon. Joshua F. C. Talbott (chairman) presiding.

Mr. TALBOTT. Mr. Moss of West Virginia introduced a bill which he intended should come to this committee, but which went to the Committee on the Merchant Marine and Fisheries. Mr. Moss, however, thought he would like to explain the bill and give us his views about it, which may be of some assistance to us in framing this legislation when the proper time comes.

**STATEMENT OF HON. HUNTER H. MOSS, JR., A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WEST VIRGINIA.**

Mr. Moss. Mr. Chairman and gentlemen of the committee, I ascertained by being present at a meeting of the committee the other day that the members of the committee have a technical knowledge of this subject which I do not claim to possess, but I am looking at this proposition from a business standpoint, and it seems to me that we have an opportunity of a century or of centuries to build up our merchant marine, a thing that all political parties have always declared for, but which in the absence of being willing to grant direct subsidy we have not accomplished. A direct subsidy seems to be the only mode that has been successful heretofore, and the mode that has been adopted by the great maritime nations of Europe to build up their merchant marines.

I drafted this bill on the proposition that we must go into it as a great, big, broad business proposition. There are times in the lives

of business men when unusual opportunities offer themselves. If they have not the money, they borrow the money and accomplish their object. It seems to me that a policy of stinting at this particular time on this subject would be a very great mistake, and in the same way that business men seize their opportunities, even though it is not financially convenient at the time, it seems to me we ought to seize this opportunity.

The essential features of this bill, which I believe differs from any other bill that has been introduced that I have been able to see, are, in the first place, there is a large enough appropriation here, \$40,000,000, to pay for a sufficient number of vessels, either by construction in our navy yards or private yards or by purchase, to establish an efficient merchant marine.

Again, the object is to provide ships which would be both suitable for auxiliaries in time of war and for merchant vessels for carrying freight and passengers and mail in time of peace. With reference to their use in time of war, I certainly would not encourage the belief or the presumption of some people that we are going to become involved in this war. It seems to me that the chances are against it if we exercise discretion. But I think we must all admit that the presence of this great European war does make it more dangerous for us, to say the least, because there are so many questions that can come up in connection with our attitude toward other nations, and in connection with the Panama Canal and our shipments of freight, and other matters that may come up at any time which might embarrass this Nation very much and might involve us in war at this particular time.

The adding of fuel ships, transports, ammunition ships, dispatch boats, hospital ships, submarine and destroyer tenders, supply ships and scouts to our Navy at this particular time, therefore, would not be an unwise precaution, and under the plan of this bill it would not excite comment or criticism in Europe, because the main object of the bill is to furnish merchant ships and not warships. But by purchasing or building such ships as would be suitable for both purposes we would be providing a fleet of auxiliary ships which in my judgment would be very valuable at this particular time.

The object of the bill is plainly stated. After authorizing the Secretary of the Navy to charter or contract for the use of said ships for commercial purposes at such compensation as he may in his discretion fix—that is, hire them or contract for them—the bill provides that it is with a view to encouraging transportation in American bottoms of mail, freight, and passengers upon the high seas, and also of making said vessels financially self-supporting in time of peace.

I think it has been demonstrated by the evidence that has been offered before this committee by the Secretary of the Navy and others that we have not, to say the least, sufficient surplus ships. I mean ships we could spare to undertake this work; and, secondly, that those that can be spared are as a rule not suitable for carrying freight. It was stated here the other day, I believe by the Secretary of the Navy, that it would cost \$250 a ton to carry freight in some of these cruisers.

Mr. WILLIAMS. No; I do not think the Secretary stated that. I think Mr. Roberts embodied that in a question.

Mr. MOSS. Yes; and did not the Secretary affirm that?

Mr. WILLIAMS. I think not.

Mr. MOSS. Then I am mistaken.

Mr. WILLIAMS. I may be mistaken, but my recollection is otherwise.

Mr. MOSS. At any rate, I think it will be admitted that to attempt to carry freight in our cruisers would be a very expensive proceeding. Therefore it would be a good economic proposition to provide suitable vessels for that purpose.

In the second place, the advantage of having trained crews, trained officers and men, on these merchant ships all ready to go into war if necessary, without any more preparation, and all under the supervision of the United States Navy in time of peace as well as in time of war, it seems to me would be a very great advantage. Now the objection may be raised that that is Government ownership. It is Government ownership, however, of Government vessels that they can use in time of war, and while it may be a little unusual, it does not seem to me that it is departing from well-established principles to adopt that kind of ownership.

The objection has been raised, and there is a great deal in it, that the Government should not embark in trade as a Government, but that private individuals should be permitted to do so. In the first place, as I understand it, it has been ascertained that with the high-priced labor we have and the increased cost of building ships over here, etc., private corporations can not very well compete with the foreigner. However that may be, I can not see any valid objection to the Government initiating this enterprise, starting this fleet, and then, if at some later time, it be made apparent that some private corporation thinks it can make money and wants to purchase these merchant ships and it is thought wise to do it, we can meet that question when we come to it, and we can sell them if we want to.

But the great fact stands out that we ought to have a merchant marine to carry our own products in our own ships. This bill does not contemplate merely trade with South America, although that is a very essential thing at this time. South America is not going to be able to trade with Europe, although we do not know how long that situation will continue.

Mr. TALBOTT. South America can trade with England now.

Mr. MOSS. Yes.

Mr. TALBOTT. But can not trade with Germany.

Mr. MOSS. No. I do not believe it would be wise to attempt to carry on trade with the European nations engaged in war at this time, but the war will be over some time, and then we ought to be in position to continue the work we have started. We ought to be in a position to branch out and not confine ourselves solely to the South American trade. But the South American trade of itself will keep these ships busy, I take it, after the business is once built up. I believe statistics show that the European trade with South America in 1913 was \$1,600,000,000, and the combined trade of the United States with South America was only about \$374,000,000. Now, it seems absurd that we should not have the bulk of that trade. It is on the same continent.

Mr. ROBERTS. Mr. Chairman, may I interrupt Mr. Moss a moment to suggest that I think the committee are pretty well convinced of

the desirability of getting the trade, and what we want to get at are the specific ways and means to get it. It will save our time and yours if you will get down to the merits of the specific proposition.

Mr. Moss. Yes. I was simply answering some objections I had heard to that proposition.

Mr. ROBERTS. Let me ask you a few questions, Mr. Moss. Your bill provides that the Secretary of the Navy shall procure as many ships of each class as he sees fit within the \$40,000,000 limit of the bill, and in section 2 he is granted full authority to charter or contract for the use of said ships for commercial purposes. Do you intend by your bill that the Secretary of the Navy shall not run these ships himself in this South American trade, but when he has them provided shall immediately charter them to other people, private concerns, and let them run them?

Mr. Moss. No, sir; I think section 3 answers that question.

Mr. ROBERTS. I was coming to that a little later to see just what you mean by that section.

Mr. Moss. My object is that the ships shall be manned and equipped solely by the Navy Department.

Mr. ROBERTS. But section 3 of your bill does not provide that.

Mr. Moss. I would so construe it. It says "that the Secretary of the Navy is hereby authorized and directed to properly man and equip such vessels, and the same shall at all time be under his supervision, direction, and control."

Mr. ROBERTS. But that does not say how he shall do that. He may do it with civilians under that language.

Mr. Moss. I presumed that if the Secretary of the Navy manned a ship he would man it with naval sailors.

Mr. ROBERTS. When you are giving such broad latitude to a man you can not presume he will do it your way, because his way may be different. In other words, you can not be sure that he will do it in your way.

Mr. WILLIAMS. Under your bill, who is to conduct the business end of the shipping business?

Mr. Moss. I contemplate by the bill that the Secretary of the Navy shall contract for the use of these ships. If a company or person or corporation desires to ship goods to South America, then he shall rent or lease or contract these ships to carry those goods at a certain stipulated sum, which would yield a profit.

Mr. ROBERTS. Let me understand that, Mr. Moss, because that is a peculiar statement to me. You mean that these ships are not going to run on regular lines of commerce, but they are to be in New York or some other place, and when a shipper comes along and has enough cargo to make it an object he goes to the Secretary of the Navy and the Secretary of the Navy starts that ship out for him?

Mr. Moss. No; I do not mean that. I think it would be proper and wise to have regular routes for the ships.

Mr. ROBERTS. Regular sailings?

Mr. Moss. I am simply giving the Secretary of the Navy the power to contract with people for the carrying of goods.

Mr. ROBERTS. Then, that language contemplates that the Secretary of the Navy is going to run a commercial line of ships?

Mr. Moss. Well, yes; if you want to speak of it in that way.

Mr. ROBERTS. It can not mean anything else.

Mr. MOSS. I do not say it can.

Mr. ROBERTS. What I want to get at is just what you mean by that section—whether you mean that the Secretary of the Navy should run this line of commercial ships, or whether, when he got the ships, he should charter them to somebody else who did want to run them.

Mr. MOSS. No; I meant the former—that they should at all times be under his direct control, but that he could make contracts for the carrying of freight, mail, and passengers with corporations or other parties.

Mr. ROBERTS. Then, it seems to me your language is unfortunate in that it gives the Secretary the power to charter the ships to private concerns and let them run them as a commercial enterprise.

Mr. MOSS. I do not see anything in the bill which says he is going to let them run them.

Mr. ROBERTS. He has full authority to contract for the use of said ships for commercial purposes. What does that mean?

Mr. TALBOTT. You must mean that the Secretary of the Navy could charter a vessel.

Mr. ROBERTS. For instance, he could charter a vessel to the Lamport & Holt line.

Mr. TALBOTT. He does not mean that.

Mr. ROBERTS. I simply want to know what you mean by that language.

Mr. MOSS. I think I can tell you. In the first place, to establish this line of ships and then not carry anything in them would be out of the question. They would have to carry something, and how are they going to do that without making contracts with people to carry goods for them? That is what I mean by that language, and that is the only way it could be done.

Mr. TALBOTT. Mr. MOSS, you mean that the Government should charter the vessel for its own use.

Mr. ROBERTS. No; as I gather, he wants the Secretary to start these commercial lines, and he wants to give the Secretary power to make charter parties with shippers, just as a private concern makes charter parties with shippers, and they are to make contracts at so much per ton, but the language is so broad that the Secretary can charter the whole ship indefinitely to any private concern and let them run it, and that is what I am inquiring about. I would like to know just what you mean by that language, whether you intend that the Secretary of the Navy should turn them all over to private concerns and let them run them or whether the Secretary is to run them and have power to make contracts with shippers for carrying the freight.

Mr. MOSS. That last is true, and personally I can not see that it does not contemplate that, because it states distinctly, "with a view to encouraging transportation in American bottoms of mail, freight, and passengers upon the high seas, and also of making said vessels actually self-supporting in time of peace."

Mr. ROBERTS. That would be accomplished if you should authorize the Secretary of the Navy to turn them over to me or to charter them to me and if I were to run the line. That would be encouraging transportation in American bottoms.

Mr. MOSS. He could not turn them over to you for any extended period of time or indefinitely, because the next section provides that

they shall at all times be under the supervision, direction, and control of the Secretary of the Navy. The first section provides that they shall be used as auxiliary vessels of the Navy, so that in case of war——

Mr. ROBERTS (interposing). I want to get your meaning first, and then come back to the first section a little bit. I want to ask you how an ammunition ship could be used in commerce or as a commercial ship in a profitable way. Of course you know an ammunition ship is peculiarly fitted up inside for the storage of ammunition?

Mr. MOSS. Yes, sir; and that might be one kind of ship that could not be used in commerce.

Mr. ROBERTS. And how about a hospital ship?

Mr. MOSS. Of course, that could not be used either.

Mr. ROBERTS. It is fitted up peculiarly for hospital purposes. How much freight could you carry in a hospital ship?

Mr. MOSS. As I stated before, I am not technically informed as to the various capacities of these different ships. I said that my only object was to provide auxiliary ships for use in time of war, and I will say, in passing, that some few kinds of them might be unfit for the transportation of freight, but the great bulk of them, as I understand it, would be suitable also for the transportation of freight.

Mr. ROBERTS. When you speak of fuel ships, what sort of fuel ships do you mean?

Mr. MOSS. That would be within the discretion of the Secretary of the Navy.

Mr. ROBERTS. Of course an oil-tank steamer would not be fit to carry anything but liquids.

Mr. MOSS. Possibly not.

Mr. ROBERTS. The whole tendency now is toward oil, and you would not contemplate the Government's oil tankers starting up a line of oil traffic, would you, or lending them to the Standard Oil Co. or any other oil refining companies so that they could carry their oil?

Mr. MOSS. I do not see any objection to carrying oil as well as other kinds of merchandise.

Mr. ROBERTS. Do you mean that you want the Government to build up a line of oil steamers to engage in the oil traffic?

Mr. MOSS. That would be a matter entirely within the discretion of the Secretary of the Navy.

Mr. ROBERTS. Now, coming down to a practical basis, you propose to leave it to the discretion of the Secretary of the Navy, but can you imagine the Government successfully engaging in the oil traffic in competition with the Standard Oil Co. that has every sea dotted with its tank steamers?

Mr. MOSS. I can imagine the Government ships carrying oil as well as other kinds of commodities.

Mr. ROBERTS. How could they?

Mr. MOSS. I do not know, but if it was offered they would have authority to carry it.

Mr. ROBERTS. But we are talking like sensible men. The Government could carry oil in its ships, but what is the object?

Mr. Moss. Why not pick out some other special commodity—

Mr. ROBERTS. I am speaking of the different classes of your ships to see what you intend to use them for in commerce. What I am contending is that the classification you have here is impracticable, unless your bill is simply designed and solely designed to provide auxiliary vessels for the Navy.

Mr. Moss. Do you say that it is impracticable to build any ships or to purchase any ships that would be suitable as auxiliaries in the Navy in time of war and also suitable as freight ships in time of peace?

Mr. ROBERTS. No, sir; I did not state it as broadly as that, but I say that it is impracticable to use tank steamers.

Mr. Moss. I am contemplating by this bill things that we can carry. I suppose you could mention a vast number of things that you could not carry.

Mr. ROBERTS. Your bill gives the Secretary of the Navy \$40,000,000, and it is quite essential to know what you intend by your bill—whether you intend to give him \$40,000,000 with which to build auxiliaries, or \$40,000,000 with which to build a class of ships that can be used as auxiliaries, but the main purpose of which would be for commerce. Now, when you come to name the different classes of ships that you would give him, you name some that would not be of any earthly use in commerce but would simply be useful as auxiliaries in the Navy.

Now, it is unquestionably true that if we were to build a fleet of ships designed to carry passengers and freight that could be used as auxiliaries of certain kinds, they would not be ships to carry oil, and they would not be ships to carry ammunition, but they could carry troops and could carry supplies. They would be available as auxiliaries, but they would not be of the type of auxiliaries mentioned here. For instance, you mention submarine and destroyer tenders, but they could not carry anything outside of what they are carrying for the destroyers and submarines, such as spare parts of machinery, etc., with which to repair them. They could not carry any commercial freight.

Mr. Moss. As I have said, I have no technical knowledge of those things, but it seems to me that the Secretary of the Navy would purchase or build what he actually needed, and this bill contemplates that he would purchase or build vessels which as a rule could be used for both purposes. That is the main object of the bill.

Mr. WILLIAMS. Now, in view of the prospective condition of our revenues, it seems to me that payment in cash for these ships, if this were adopted, would mean the issuance of bonds.

Mr. Moss. I am frank to say that I can not answer that question, except in this way, that I think there is no object of expenditure of money more important and more worthy than this at the present time. Of course the matter of working out the finances is for the Secretary of the Treasury.

Mr. WILLIAMS. I presume a bill authorizing the investment would have to authorize the appropriation.

Mr. TALBOTT. That is a matter of detail.

Mr. WILLIAMS. I would like to hear his view of that.

Mr. Moss. That is a condition—I do not know anything about that feature of it.

Mr. TALBOTT. Why did you hit on \$40,000,000 as the sum required?

Mr. MOSS. I thought that would be sufficient, and I do not believe in starting in a halfway fashion on this.

Mr. WILLIAMS. It would not be any more than sufficient, would it?

Mr. MOSS. I do not think so. I do not think there would be any great excess. Some ships cost between a million and a million and a half dollars. Possibly some of them would cost less than that, but I do not think this would provide any too many ships.

Mr. WILLIAMS. Your bill, I notice, was referred to the Committee on the Merchant Marine and Fisheries.

Mr. MOSS. Yes.

Mr. WILLIAMS. Yet, right on its face it deals with the Navy and authorizes the Secretary of the Navy to acquire these ships for use in the Navy. How did it happen to be referred to the Committee on the Merchant Marine and Fisheries?

Mr. MOSS. I can not answer that. I wrote on the bill "Referred to the Committee on Naval Affairs," but they referred it to the other committee. I do not know what the object was.

(Thereupon the subcommittee proceeded to the consideration of executive business, after which it adjourned.)

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS,
HOUSE OF REPRESENTATIVES,
Wednesday, August 19, 1914.

The subcommittee met at 10.30 o'clock a. m., Hon. Joshua F. C. Talbott (chairman) presiding.

**STATEMENT OF REAR ADMIRAL RICHARD MORGAN WATT, CHIEF
BUREAU OF CONSTRUCTION AND REPAIR.**

Mr. TALBOTT. Admiral, we want from you your opinion as to the class of vessels we can build that can enter into the transportation of freight, passengers, and mails to South America and be used as auxiliaries for the Navy in emergencies; and we also want to discuss the question of tonnage.

Admiral WATT. In time of war there would be an enormous demand for naval auxiliaries, at which time practically any type of ship could be added with advantage to the naval auxiliary forces, and by a certain amount of conversion improvised for the purpose; but it would not be as well adapted as a ship designed for that purpose.

A ship designer is faced with exactly the same proposition that a house architect is. He is given certain characteristics. He knows what service a ship is to be engaged in. The characteristics for merchantmen differ fully as much as characteristics for naval vessels. We must know whether the ship is going to carry passengers; how many passengers; what class of transportation they are willing to pay for; we must know at what speed the ship must travel; we must know also the ports available for recoaling and revictualing. We must know what kind of cargo the ship is to carry in addition to her passengers or possibly without passengers. We must know what kind of cargo, whether any of it is refrigerated, and the size of the

packages, and whether the port to which the ship is traveling has proper cargo-handling appliances or not, or whether cargo-handling appliances must be provided on the ship. It is desirable that a ship for naval auxiliary purposes have a higher speed than a ship fitted primarily for freight transportation. This is desirable in order that she may accompany the fleet or in running from the fleet to the point of supply, that she make the run in the shortest possible time. All of the above factors enter into the question of the design of a merchant ship.

Coming back now to the problem, because of our limited merchant marine, practically every ship that we could get hold of in time of war could be used to marked advantage to the service. Any vessel in the merchant service used as a collier would be used in the naval service for exactly the same purpose. Ships such as those used in the American-Hawaiian line could be used to advantage as supply ships, as transports, and as ammunition ships.

Mr. TALBOTT. Would a ship that is designed and constructed simply for fighting purposes be a proper vessel to be put in this kind of business?

Admiral WATT. No, sir.

Mr. ROBERTS. Admiral, the transport that is to be built at Philadelphia will be of what tonnage?

Admiral WATT. She will be 10,000 tons.

Mr. ROBERTS. How is she fitted with regard to carrying passengers?

Admiral WATT. She has accommodations for the ship's officers—for 80 officers and 1,600 men.

Mr. ROBERTS. The officers would have a suite of rooms?

Admiral WATT. The senior officers would be provided for one in a room and the captains and lieutenants would be provided for two in a room.

Mr. ROBERTS. Is she fitted with baths in connection with any of the suites of rooms or any of the rooms?

Admiral WATT. Only for the commanding officer and the officer in command of the detachment. Of course there are common bathrooms for the use of all the officers.

Mr. ROBERTS. Is she so designed now that she could carry a mixed passenger list of men and women?

Admiral WATT. No, she is not; but that could be very readily arranged for by duplicating the toilet and bathing facilities.

Mr. ROBERTS. How much additional expense would it be in a vessel of that same general type to put in additional bathrooms so that you could have accommodations somewhat like a private passenger vessel?

Admiral WATT. The expense would be nominal—a few thousand dollars.

Mr. ROBERTS. And if she were wanted in time of war those things could be quickly taken out if deemed advisable; if you wanted to turn her into a fighting ship?

Admiral WATT. Yes; but they would take up so little room that their removal would hardly be advisable.

Mr. ROBERTS. You say she has accommodations for sixteen hundred men. They sleep in hammocks, do they not?

Admiral WATT. Yes.

Mr. ROBERTS. Below decks?

Admiral WATT. They sleep below the main deck but above the water line.

Mr. ROBERTS. What freight capacity would she have, carrying 1,600 men and a complement of officers.

Admiral WATT. She would carry approximately 1,800 tons.

Mr. ROBERTS. Could you use the space occupied by the men for sleeping quarters for cargo?

Admiral WATT. In small packages; yes.

Mr. ROBERTS. How much additional cargo could she then carry?

Admiral WATT. Possibly 1,000 tons.

Mr. ROBERTS. That would make a total of 2,800 tons?

Admiral WATT. Yes, sir.

Mr. ROBERTS. Is she so designed that she has hatchways of ample dimensions?

Admiral WATT. She is designed with ample hatches, because in addition to transporting men she is designed to transport the advance base material consisting of guns, etc.

Mr. ROBERTS. Is she designed with any appliances for handling heavy weights of freight?

Admiral WATT. Yes; she has booms and winches.

Mr. ROBERTS. Admiral, what is her designed speed.

Admiral WATT. Fourteen knots.

Mr. ROBERTS. Is that the maximum?

Admiral WATT. She is designed for a sustained sea speed of 14 knots.

Mr. ROBERTS. Would it be possible to design a ship of approximately her same dimensions that would carry more freight than she can carry and at the same time could be, without too much expense, turned into a desirable transport or other auxiliary in time of war?

Admiral WATT. Holding the same size and present accommodations, I do not think you could, Mr. Roberts. I think you made that a condition.

Mr. ROBERTS. Yes; approximately. Where are her engines placed?

Admiral WATT. Her engines are amidships.

Mr. ROBERTS. Some of the freighters I have noticed apparently have the engines and the boiler room pretty well aft.

Admiral WATT. Practically all the colliers and oil ships that are designed nowadays have the machinery well aft.

Mr. ROBERTS. Could you not design a ship that would be useful as a commerce carrier and also as a transport or other auxiliary along those lines with the machinery and boiler room well aft, so that you could have the forward part of the ship for the freight?

Admiral WATT. Yes.

Mr. ROBERTS. And still get the speed and other qualities?

Admiral WATT. Yes; that could be done.

Mr. ROBERTS. Have you any figures and can you give us approximately the cost of a ship of that character?

Admiral WATT. A ship of that character would cost about \$1,750,000.

Mr. ROBERTS. That is, for a speed of 14 knots. Suppose you put it at 16 knots, how much would that add to the cost?

Admiral WATT. Sixteen knots would probably add \$150,000 to the cost of the ship.

Mr. ROBERTS. Is this transport a coal burner?

Admiral WATT. This transport is both a coal burner and an oil burner.

Mr. ROBERTS. What difference would it make in the complement of men if she were an oil burner exclusively?

Admiral WATT. Mr. Wood—who is before the committee—a ship-builder who has built many oil-burning ships, can answer that question better than I can.

Mr. WOOD. About one-third of the total complement of the crew.

Mr. STEPHENS. You say she burns both coal and oil. Do you mean both or either?

Admiral WATT. She burns either oil or coal. In other words, she is arranged so that if she gets into a port where she can get coal, she can fill her bunkers with coal and steam 5,000 miles on coal. If she gets to a place where she can get oil more readily than coal, she can fill her oil spaces and steam 8,000 miles on the oil she can carry.

Mr. STEPHENS. Ordinarily, you burn one and not both?

Admiral WATT. Yes; ordinarily you would burn one. You would not ordinarily mix them.

Mr. ROBERTS. Mr. Wood, let me understand you about the complement. If she burned oil exclusively she would only require one-third as many men as though she burned coal?

Mr. WOOD. She would require two-thirds as many men. The reduction would be about one-third of her full complement of deck and fireroom crew. It would cut the fireroom crew about two-thirds.

Mr. ROBERTS. Do you know the complement of officers and men that will be required on this transport now being constructed at Philadelphia?

Admiral WATT. Twenty-seven officers, and one hundred and eighty-five men.

Mr. TALBOTT. Admiral, can you tell us the difference in the number of men employed in the merchant service and in the Government service?

Admiral WATT. The *Neptune* is operated by a merchant crew of 104; a similar ship, the *Jupiter*, has a naval crew of 165.

Mr. TALBOTT. Admiral, speaking of an oil burner exclusively, do you know whether there are ample facilities at South American points for supplying oil to commercial ships?

Admiral WATT. No; I can not give you that information. The Bureau of Steam Engineering could give you that information far better than I, because they have been going into it exhaustively. Of course, in Mexico and on the west coast you can get oil more readily than coal.

Mr. ROBERTS. Admiral, would there be any difficulty, so far as you know, in getting oil for oil burners in the Atlantic or Gulf coasts of this country?

Admiral WATT. No, sir; there would be no difficulty.

Mr. ROBERTS. Then if a difficulty arose it would be in getting the fuel in South American ports?

Admiral WATT. In distant ports; yes.

Mr. STEPHENS. There is a pipe line carrying oil across the Isthmus of Panama, is there not?

Admiral WATT. The Union Oil Co. has a pipe line across the Isthmus.

Mr. STEPHENS. And there is no difficulty about getting plenty of oil on the Pacific coast?

Admiral WATT. There is no difficulty in getting oil on the Pacific coast or on the east coast of Mexico; no difficulty whatever.

Mr. ROBERTS. Admiral, can you tell us what ships we have in the Navy at present carrying 1,000 or 1,500 tons of freight that could be adapted to commercial trade?

Admiral WATT. We have a number of colliers at present that could be adapted to the carriage of freight. Of course, there again the problem enters as to what character the freight may be. We have 10 modern colliers that have very large cargo spaces for coal and those cargo spaces could, of course, receive cargo, but if you had a small package cargo, it would be far better to subdivide those spaces by decks, and further subdivide the decks into rooms.

Mr. ROBERTS. It would not be desirable or feasible to fill up those large spaces with masses of package cargo?

Admiral WATT. No; it would be very undesirable to put package cargo into those large open holds.

Mr. ROBERTS. If such a vessel were to be used for carrying package cargo, she would have to have decks.

Admiral WATT. That would be very desirable.

Mr. ROBERTS. As well as other appliances for handling package cargoes.

Admiral WATT. Those colliers, of course, are designed for coal handling, and the same apparatus could handle cargo in a cargo net, but not advantageously.

Mr. ROBERTS. Then, to make them really desirable for package cargo, it would be necessary to change them?

Admiral WATT. To make them efficient and economical as carriers of package cargo, they ought to have material changes.

Mr. ROBERTS. And those material changes would not be necessary for handling a bulk cargo of coal?

Admiral WATT. No.

Mr. ROBERTS. In other words, you have in mind just what I have—that these new colliers are equipped with a hoisting apparatus which you never see on a commercial freight carrier?

Admiral WATT. That is correct.

Mr. TALBOTT. How many colliers could we spare at once for this trade without injury to the naval service?

Admiral WATT. That is a question that should be asked of operations, Mr. Chairman.

Mr. TALBOTT. I presume the Bureau of Navigation could tell us about that.

Admiral WATT. Yes; Admiral Blue is the proper man to answer that question for you, sir.

Mr. ROBERTS. He has given us a list of certain colliers that the department thought might be utilized, and I wanted to ask you about them. The ships recommended by the Secretary or suggested as being possibly available for commercial uses are the *St. Louis*, *Charleston*, *Milwaukee*, *Columbia*, *Minneapolis*, *Salem*, *Chester*—those are cruisers of one kind or another?

Admiral WATT. Yes.

Mr. ROBERTS. Then comes the *Buffalo* and the *Rainbow*. The *Buffalo* is a transport, is she not?

Admiral WATT. Yes; she was converted into a transport.

Mr. TALBOTT. She was purchased, was she not?

Admiral WATT. She was purchased at the time of the Spanish-American War from the Brazilian Government, who had previously purchased her in America—

Mr. ROBERTS. And belonged to the Plant Line?

Admiral WATT. She was purchased by Brazil from the Southern Pacific Co., having been employed on the run from New York to New Orleans.

Mr. ROBERTS. She could not carry any cargo to amount to anything now, could she?

Admiral WATT. Not very much at present.

Mr. ROBERTS. How expensive would it be to change her back into the style of ship she was when we bought her, to carry cargo as well as passengers?

Admiral WATT. It would not be very expensive. You can tear work out at relatively small cost.

Mr. ROBERTS. You would have to tear out some work and put in some other work to take its place?

Admiral WATT. Yes.

Mr. ROBERTS. She has the hatch space and all that?

Admiral WATT. Yes.

Mr. ROBERTS. Do you know what cargo she carried as a commercial ship?

Admiral WATT. About 4,000 tons.

Mr. ROBERTS. What is the *Rainbow*?

Admiral WATT. She was a cargo carrier—the *Norse King*. We bought her during the Spanish-American War and renamed her. We fitted her out as a station ship, and she is now in the Far East.

Mr. ROBERTS. Do you know what her capacity would be as a cargo carrier if she were changed back?

Admiral WATT. Yes; it would be about 2,000 tons.

Mr. ROBERTS. How old are those two ships?

Admiral WATT. The *Buffalo* is 22 years old and the *Rainbow* is 24 years old.

Mr. ROBERTS. Do you know anything about their speed?

Admiral WATT. The speed of the *Rainbow* is about 12 knots and of the *Buffalo* about 14 knots.

Mr. ROBERTS. Then those two ships might be changed over and might be made available?

Admiral WATT. Yes.

Mr. ROBERTS. Then comes the *Ancon* and the *Cristobal*. They were built at the Sparrows Point plant.

Admiral WATT. Yes; by the Maryland Steel Co.

Mr. ROBERTS. And were used in the Pacific trade for awhile.

Admiral WATT. They were built for the Boston Steamship Co. for the coal trade.

Mr. ROBERTS. They are now fitted up for both cargo and passengers, and they are running regularly, I take it.

Admiral WATT. Yes; from New York to Colon.

Mr. ROBERTS. And have accommodations for passengers as well as a certain amount of freight?

Admiral WATT. Yes.

Mr. ROBERTS. Do you know what amount of freight they carry now?

Admiral WATT. I think about 10,000 tons.

Mr. ROBERTS. And of course they have all the equipment for handling that freight?

Admiral WATT. Yes.

Mr. ROBERTS. Then we come to the *Hector*, *Mars*, *Vulcan*, *Cyclops*, the *Neptune*, and the *Nanshan*. Were any of those built by us as colliers?

Admiral WATT. The *Mars*, *Vulcan*, and *Hector* were built by the Maryland Steel Co. as colliers about six years ago.

Mr. ROBERTS. What cargo do they carry?

Admiral WATT. They carry about 7,200 tons of cargo coal.

Mr. ROBERTS. They would not be able to carry that amount if fitted with decks for carrying freight, would they?

Admiral WATT. No; that would reduce it, as coal runs 42 cubic feet to the ton, and a ton of general cargo occupies a much greater volume.

Mr. ROBERTS. Do you know whether those ships are in active commission, Admiral?

Admiral WATT. They are in active commission.

Mr. ROBERTS. And their speed is what?

Admiral WATT. Ordinarily they operate at about 10 knots. They are 12-knot ships.

Mr. ROBERTS. Then, the *Neptune*, *Cyclops*, and *Vulcan*?

Admiral WATT. The *Cyclops* and *Neptune* are colliers of very large size, transporting 10,500 tons of cargo coal and 2,000 tons of bunker coal, with elaborate handling facilities for coaling ships at sea. They have 14 knots sustained sea speed.

Mr. TALBOTT. Those ships could be converted into merchant vessels?

Admiral WATT. Those ships are extremely desirable as colliers. They are fitted for coal carrying and rapid coal handling and are admirable for that purpose. It would be a pity to interfere with their efficiency as coal carriers to make them into makeshift cargo carriers.

Mr. TALBOTT. That is exactly the information the committee wants. We want to know what we can do without injury to the service.

Mr. ROBERTS. What would you say as to the desirability of changing over the *Hector*, *Mars*, and *Vulcan*?

Admiral WATT. It would be very undesirable to change them.

Mr. ROBERTS. The *Nanshan* is a small ship, is he not?

Admiral WATT. Yes; and was bought in the Far East. She has been out there along time, is very old, and carries 2,900 tons of coal.

Mr. ROBERTS. Was she a merchantman when she was purchased?

Admiral WATT. She was a merchantman out in the Far East and was bought by Admiral Dewey.

Mr. ROBERTS. Do you remember her tonnage as a merchantman?

Admiral WATT. The *Nanshan* is a 5,000-ton ship and is not nearly so large as the *Cyclops* and *Neptune*. She has a cargo capacity for coal of 2,900 tons and a speed of 10½ knots.

Mr. ROBERTS. Admiral, in case it became a law or became desirable to provide additional auxiliaries to be used in commercial lines to

South American ports, what would you say as to the desirability of specifying in the law that they should be 16-knot ships, assuming that a sustained speed of 16 knots is the economical speed for commercial purposes? Would that be an excessive sustained speed for naval purposes?

Admiral WATT. I think 14 knots would be sufficient for naval auxiliaries. I think it would be rather unfortunate to require a speed of 16 knots for a freight-handling ship. Sixteen knots is a very desirable speed for a passenger ship, but for ships designed primarily for freight, you pay so much to get that extra speed that you materially reduce her cargo capacity.

Mr. TALBOTT. But at the same time, if you afterwards converted her into an auxiliary for naval purposes, you require that speed, do you not?

Admiral WATT. Naval auxiliaries should have 14 knots, and even more speed is desirable, but you pay such a price in space and cost for the additional speed that it becomes rather questionable whether such a speed should be specified except for transport.

Mr. ROBERTS. It is reported to us, Admiral, that it is desirable in the commercial lines to South American points to have not less than 16 knots speed, those ships being designed both for cargo and passengers, and what we wanted to know was whether that would be ill advised.

Admiral WATT. It would be an advantageous but not an absolutely necessary speed for naval auxiliaries.

Mr. ROBERTS. As I understand you, it would cost about \$150,000 per ship more to give them a 16-knot speed over a 14-knot speed and would also reduce their cargo-carrying capacity.

Admiral WATT. Approximately, yes—

Mr. ROBERTS. We are not speaking in detail but simply along broad lines.

Admiral WATT. The figure I gave you was figured merely on broad, general principles. If you had a 16,000-ton ship, and wanted to make her 16 knots instead of 14 knots, it would probably involve about \$150,000 additional.

Mr. ROBERTS. What would you say, Admiral, as to the desirability of specifying in a law contemplating additional auxiliaries, such auxiliaries to be used in times of peace as commercial ships that they should be oil burners. What I have in mind is this: Would they be more economical to manage, would you get more space for cargo and passengers, or would the reverse be true?

Admiral WATT. You would get more space for cargo, you would get more space for passengers, and you would require a smaller crew. They would be cheaper to operate, neglecting the first cost of fuel. A ton of oil is equivalent to about 1.4 tons of coal, and consequently it becomes an arithmetical proposition as to whether it is cheaper to buy oil at blank dollars or—

Mr. ROBERTS (interposing). Or coal for a less amount?

Mr. TALBOTT. Could you start from Panama with a full complement of fuel oil and make a trip to the South American countries, without having to get another supply, and come back?

Admiral WATT. Yes, sir.

Mr. TALBOTT. Then, there is no trouble about the fuel ship.

Admiral WATT. Oil at 2.4 cents a gallon is cheaper than coal at \$5 a ton. If you pay \$7 a ton for coal, you can afford to pay 3.3 cents per gallon for oil.

Mr. ROBERTS. Do you know what we are now paying for oil?

Admiral WATT. About 1.78 cents is the annual contract price for the current fiscal year.

Mr. ROBERTS. And the price is going up all the time?

Admiral WATT. The price went up and up for several years, but at the last opening the price had dropped materially from the previous year.

Mr. ROBERTS. What would you recommend for auxiliaries such as we have spoken of, oil or coal?

Admiral WATT. I would recommend a combination; that is, have them able to burn either coal or oil.

Mr. ROBERTS. How would that combination affect the cargo and passenger capacity?

Admiral WATT. It would affect it somewhat, but not seriously, because we could so arrange the coal-carrying space that it could be used for bulk cargo when we were burning oil.

Mr. ROBERTS. What additional cost would it be to have the alternative, either oil or coal?

Admiral WATT. The cost would be very small in the total cost of the ship.

Mr. ROBERTS. Over either oil or coal alone?

Admiral WATT. Yes, sir; it would not be a material item in the cost of the ship at all.

Mr. ROBERTS. If you had both, would not that necessitate a larger complement so as to have the necessary force available?

Admiral WATT. I do not think so. For instance, if the Navy were ever called upon to operate in far-distant waters where the supply of oil was doubtful, at such time you might increase your fire-room force, but ordinarily you would operate under your reduced oil-burning force. If you were starting an expedition to a far-distant field of activity, where the supply of oil was limited, then only would you increase your force.

Mr. ROBERTS. But, roughly speaking, you would have to design your ship so as to provide quarters for the maximum force that would be required under any condition?

Admiral WATT. Yes, sir. That is one of the points that I should have brought out earlier in the discussion. Operating as a navy auxiliary, the crew must be greater than operating as a merchantman. One reason is that operating as a navy auxiliary the crew must be prepared at all times to receive signals. It means an increased force of signalmen. Operating as a merchant ship, practically all repairs would be made ashore, and the engineer complement would be materially smaller. Sending the ship out as a naval auxiliary it would be necessary to have a sufficient crew so that crew could at all times make the first-aid repairs to the machinery and keep the machinery up. When operating as a merchant ship, such machinery overhaul is usually done by a force ashore. So it is always necessary, when operating a ship as a naval auxiliary, to materially increase the crew over that operating her as a commercial proposition.

Mr. ROBERTS. The ship could be so designed that while she was operating as a merchantman, which, under the terms of the bill that we are considering, would be the first use of these new ships, if they are authorized. When she was turned over for naval purposes you could put in the additional quarters for the extra complement of men without very much expense or trouble?

Admiral WATT. Yes, sir.

Mr. ROBERTS. Which would give you that space in time of peace for cargo and passengers, and in time of war it could be cut up for your officers and crew?

Admiral WATT. Yes, sir; that could be readily cared for in the first design.

Mr. ROBERTS. That could be kept in mind in the original design of the ship?

Admiral WATT. Yes, sir; without any difficulty.

Mr. ROBERTS. In building these ships, having in mind their first use as merchantmen, it would, of course, be necessary to equip them with appliances for handling the package cargo. If they were turned over as auxiliaries would those appliances interfere with their usefulness as auxiliaries, or would they still be useful?

Admiral WATT. They would still be useful.

Mr. ROBERTS. If you fit up a supply ship as a refrigerating ship you are practically limited in the nature of the cargo you can carry and the quantity?

Admiral WATT. Yes, sir.

Mr. ROBERTS. In other words, with the refrigerating appliance the rooms are cut up?

Admiral WATT. It would be very uneconomical to attempt to carry anything in refrigeration space except material that requires refrigeration, because of the resultant damage from carriage and handling of general cargo to insulated bulkheads and decks.

Mr. ROBERTS. Coming down to the supply ship which we are now building in the Boston Navy Yard, will she be fitted up to carry meats and have a refrigerating appliance?

Admiral WATT. She will have a certain number of cubic feet of refrigerating cargo holds.

Mr. ROBERTS. And the balance will be for general cargo?

Admiral WATT. Yes, sir.

Mr. ROBERTS. She will be designed more on the lines of an ordinary commercial ship, a cargo carrier?

Admiral WATT. She is designed primarily to accompany the fleet and to be an issuing ship to the fleet of stores. In other words, she is the storehouse that accompanies the fleet from which the ships of the fleet draw their supplies.

• Mr. WILLIAMS. What ship is that?

Admiral WATT. The supply ship building at the Boston yard.

Mr. ROBERTS. Can you tell us of what use that type of ship would be as a merchantman, and if we authorized new ships, would they be built along that line, carrying a certain amount of refrigerated supplies and a certain amount of general cargo?

Admiral WATT. I think when Mr. Wood is put on the stand he will probably describe to you the Hawaiian-American steamers, a number of which they have recently built. They have very large refrigerated cargo space and have proven very advantageous in the

American-Hawaiian service between New York, Mexico, Central America, and even around the Horn to Hawaii. They were designed to pass through the canal as well.

Mr. ROBERTS. Can you tell us how many tons of meat can be carried in this supply ship in her refrigerating rooms?

Admiral WATT. The supply ship has 74,300 cubic feet of refrigerated space—46,700 cubic feet is arranged for meat carriage, 8,500 cubic feet for butter and eggs, and 10,500 cubic feet for ice. In dead weight she would carry 750 tons of refrigerated supplies.

Mr. ROBERTS. And how many tons of general cargo will she carry? Of course, she is designed with ample hatchways and all the other appliances?

Admiral WATT. She will carry about 2,350 tons of cargo and has ample hatchways and appliances for handling of that cargo.

Mr. ROBERTS. How about passenger space on that ship?

Admiral WATT. She is not designed for passengers.

Mr. ROBERTS. Could a ship of her general design be modified to carry a fair number of passengers?

Admiral WATT. She could be modified to carry a limited number of passengers, but, of course, as soon as you build any material deck houses you interfere with the hatches for the ready passage in and out of the cargo.

Mr. STEPHENS. You say a limited number of passengers; how many do you mean?

Admiral WATT. I doubt very much if we could fit her, without a great sacrifice, for 50 passengers.

Mr. ROBERTS. Could she be modified to carry 50 passengers?

Admiral WATT. Probably.

Mr. TALBOTT. If we should authorize the construction of a certain number of naval auxiliaries for the Navy, how would you class them—some for hospital ships, some for transports, and some to convert into warships—how would you handle that proposition?

Admiral WATT. Any passenger ship would make an excellent transport and could be converted into an excellent hospital ship. A general cargo ship, such as the American-Hawaiian Line, could be fitted up as a transport or as a supply ship, as an ammunition ship, or as a repair ship. Of course, a collier or a fuel-oil ship would be best employed as a collier or a fuel-oil ship without any attempt to convert her to some other purpose.

Mr. TALBOTT. Could we construct any of these vessels so as to turn them into warships and mount guns on them?

Admiral WATT. These auxiliaries could mount four to six guns of 5-inch or 6-inch caliber, but the value of their armament would be merely to prevent the enemy from cutting out the ship with a boat crew or a destroyer or some small ship. They would be in no sense fighting vessels.

Mr. ROBERTS. That is true of all auxiliaries?

Admiral WATT. Yes, sir.

Mr. ROBERTS. Of all navies?

Admiral WATT. Yes, sir.

Mr. GERRY. And they would not be of much use as commerce destroyers?

Admiral WATT. No, sir; practically no use whatever.

Mr. GERRY. It would not be expedient to construct colliers or oil-carrying vessels and turn them over to any other purpose?

Admiral WATT. It would not be expedient; it would not be economical and it would not be advantageous. It could be done, but the ships would be neither economically nor wisely employed.

Mr. GERRY. Take the vessels that would carry freight, could they be used advantageously by the Navy in time of war?

Admiral WATT. As auxiliaries to the Navy; yes, sir.

Mr. GERRY. And also passenger-carrying vessels?

Admiral WATT. Yes, sir. We would have use for a number of vessels of that type?

Mr. GERRY. If they were built primarily for naval purposes, would they make satisfactory freight or passenger carrying vessels? In other words, would there not be a great difference between vessels that would be constructed primarily for naval purposes and those constructed primarily for commercial purposes?

Admiral WATT. If they were constructed primarily for naval purposes they would be less efficient and less economical for commercial purposes than if constructed primarily for commercial purposes, but they could be readily converted from the commercial purposes to the Navy auxiliary purposes. You can only get economical and efficient results when you design your ship for one service. If your service is as a naval auxiliary you can design a very efficient ship, but when you use that ship again as a merchant ship she is not as efficient as a ship designed primarily for merchant purposes.

Mr. TALBOTT. But she could be readily converted?

Admiral WATT. Yes, sir.

Mr. GERRY. But a ship that has been originally constructed for passenger-carrying service and for freight-carrying service can be turned into a naval auxiliary rather readily and will prove very efficient?

Admiral WATT. Decidedly valuable.

Mr. GERRY. And will practically answer your requirements?

Admiral WATT. Yes, sir.

Mr. GERRY. What do you consider the proper tonnage as a general thing for a naval auxiliary?

Admiral WATT. That is a very difficult question to answer. I think that 10,000 tons or 12,000 tons is a very suitable vessel both for commercial purposes and for naval auxiliary purposes. I think that would be a very advantageous displacement for the ships to have for both uses. Our large naval colliers are 19,000 tons displacement.

Mr. STEPHENS. Supposing, Admiral, a vessel built primarily for commercial purposes should have added to her at time of construction whatever was needed to make her a naval auxiliary, what would that add to her cost, not only in construction, but also in her life as a commercial carrier?

Admiral WATT. That is rather a difficult question to answer without more definite conditions.

Mr. ROBERTS. Let me ask Mr. Stephens if his question contemplates that the ship being built for commercial purposes, she shall have put in her at the time of construction all the naval auxiliary requirements to remain there during her commercial life?

Mr. STEPHENS. If that is what the Navy Department recommends.

Mr. ROBERTS. But the Admiral, during his line of answers, said,

if I did not misunderstand him, that if you built your commercial ship and used her for that purpose, and then wanted her for an auxiliary, at comparatively small expense, you can put in the things that are needed for the auxiliary; and that you would save a lot of space while using the ship as a commercial ship.

Mr. STEPHENS. Then, perhaps, the Admiral would not recommend placing and keeping all of these naval requirements in the ship from the time of her construction?

Admiral WATT. No; I would not. I would recommend that the design for the ship being prepared with a view to her conversion to a naval auxiliary.

Mr. WILLIAMS. Admiral, you are familiar, I assume, with what we call our naval program, at the rate of construction of battleships what we propose ultimately to reach?

Admiral WATT. Yes, sir.

Mr. WILLIAMS. You have stated that a ship of 10,000 or 12,000 tons would be about the most useful and suitable size or capacity as an auxiliary and also for freight purposes, did you not?

Admiral WATT. Yes, sir. That is unquestionably the best size of ship to start with on a proposition of this character. The development of the service might ultimately require a larger ship or a smaller ship might prove adequate. In other words, you might develop a line to ports where the draft might be important and you might want a smaller ship. You might develop a splendid traffic in grain or coal or something that would make it advantageous to use a large ship, such as we have in the *Neptune* and *Cyclops* colliers.

Mr. WILLIAMS. Having in view our naval program, what we expect and hope to have in the way of Navy increase, how many ships of the tonnage and capacity you have indicated that could be easily converted from one use to another, from merchantmen to auxiliaries in the Navy, how many such ships could we now build and use to advantage, and how many will the needs of the Navy require in the future?

Admiral WATT. That depends on a great many things. If you ask me whether the Navy could make use of a dozen 16-knot passenger ships as naval auxiliaries in time of war, I should say, unquestionably, yes. If you ask me if the Navy could make use of thirty 10,000 or 12,000 ton freighters, I should say, yes.

Mr. WILLIAMS. Could we use that many to advantage in our Navy in case of war—20 or 30?

Admiral WATT. It would be dependent on the seat of war and how far we had to send the fleet. We would need and would have to charter even more ships than that for operations at a great distance from the United States.

Mr. WILLIAMS. I am speaking of 20 or 30 ships in addition to what we have now.

Admiral WATT. Yes, sir.

Mr. WILLIAMS. How many auxiliary ships have we now in the Navy that would approach the capacity and requirements which you have indicated and which could be used as freighters?

Admiral WATT. At the present time we have seven 12,000-ton colliers and three 7,000-ton colliers of modern type. We are building one transport. We are building one supply ship. We have a couple

of supply ships which are just about played out. We have a number of small colliers—

Mr. WILLIAMS. I limited my question to the number which could be used adaptable to both purposes and readily convertible and suitable for carrying freight.

Admiral WATT. I think we have a number of ships that could in an emergency be used for such a purpose, but it would not be advantageous for us to convert those colliers into general cargo carriage ships.

Mr. WILLIAMS. Can you state, if you have not already stated it, for the record what is about the cost of such a ship that we have in mind—10,000 or 12,000 tons that could be converted?

Admiral WATT. For the carriage of 500 passengers at 16 knots speed, \$1,750,000; for the 10,500 tons of coal at 14 knots speed, about \$1,000,000.

Mr. ROBERTS. I might add to your answer, Admiral, that we will have the *Ancon* and the *Cristobal* in the Navy in the course of two or three months, I understand. They are to be turned over to the Navy.

Admiral WATT. When the Panama Canal Commission has finished with them.

Mr. ROBERTS. I understand that will be within two or three months.

Admiral WATT. In the near future.

Mr. ROBERTS. They will be in addition to what we have already?

Admiral WATT. Yes, sir.

Mr. ROBERTS. But they are pretty old ships?

Mr. WOOD. They are about 12 years old.

Mr. TALBOTT. Admiral, we are much obliged to you and hope that you will come again if it becomes necessary for us to ask you.

Admiral WATT. Certainly.

STATEMENT OF MR. FREDERICK W. WOOD, PRESIDENT OF THE MARYLAND STEEL CO., SPARROWS POINT, MD.

Mr. TALBOTT. Mr. Wood, you had a conversation with me a few days ago in which you suggested what you thought might be a good policy for the Government to pursue in the construction of vessels for use in the trade that we wish to develop. I wish you would give us your views about the matter, with a statement of your standpoint, your knowledge of shipbuilding, construction cost, etc.

Mr. WOOD. It depends, Mr. Chairman, on what you desire to accomplish.

Mr. TALBOTT. Perhaps I can help you a little on that: Suppose we should want a number of colliers of from 10,000 to 12,000 tons displacement and 14 knots speed—taking that as the basis of displacement, speed, and carriage capacity, and then the fact that they are to be converted into auxiliary vessels for the Navy—

Mr. WOOD. Is your question when could they be constructed?

Mr. TALBOTT. How long would it take to construct them and what would be the probable cost? Just give us your views about it.

Mr. WOOD. Ships of from 10,000 to 12,000 tons displacement would be of the type of the *Hector*, *Mars*, and *Vulcan*, three colliers now owned by the Government. In the present condition of the

coast shipyards, 12 ships of that type I think could be constructed in from 9 to 11 months.

Mr. STEPHENS. Would the first delivery be made in nine months?

Mr. WOOD. I think so.

Mr. STEPHENS. And how often would deliveries be made afterwards?

Mr. WOOD. I think that you could get six of them in from 9 to 10 months and the other six from 10 to 11 months. They would be scattered over the different shipyards.

Mr. STEPHENS. If a contract were given you to-day for three such vessels, what would be the earliest moment when you could turn them over complete?

Mr. WOOD. If we pursued the ordinary course of working only day turns, it would require about 12 months, I should say, for any one of the shipyards to handle three of them. If the price or the amount of money involved would permit working double turns or the entire 24 hours, the time might be cut down a month and a half, making the first delivery in $7\frac{1}{2}$ months and the last in about 10 months.

Mr. STEPHENS. Would it make any difference in the length of time required for construction or in the time of delivery whether you receive the order from the Government or from the Panama Railroad Co.?

Mr. WOOD. None whatever.

Mr. STEPHENS. Would it make any difference in the time of delivery if you received the contract from some strictly private corporation?

Mr. WOOD. The construction would probably be a little more rapid if the ships were built on strictly merchant lines in accordance with strictly merchant practice.

Mr. STEPHENS. I was not referring to that. My point is, does the time of delivery depend upon whether the ships are for a private corporation or the Government?

Mr. WOOD. Absolutely not.

Mr. STEPHENS. Would not the laws of the United States regarding the construction of its own vessels lengthen the time required for constructing beyond that required for vessels for a private corporation?

Mr. WOOD. Not in case the ships are required to be built in the shortest possible time, which would call for the utilization of the entire 24 hours.

Mr. ROBERTS. The reason Government construction is slow is because of the inspection, is it not?

Mr. WOOD. Yes, sir; that is one reason where the usual naval inspection applies.

Mr. ROBERTS. And the eight-hour law?

Mr. WOOD. Yes; the eight-hour law if we are working only day turns; but I was assuming, for present purposes, conditions being such that the full 24 hours would be utilized.

Mr. ROBERTS. But in working on Government contracts, now, you must work on the eight-hour basis?

Mr. WOOD. Yes, sir; working eight-hour turns.

Mr. ROBERTS. I do not know what the State law may be, but you have a different day if you work for private concerns?

Mr. WOOD. The State laws in our case do not affect the situation. We ordinarily work 10 hours a day if working on a commercial job and 8 hours a day on a Government job.

Mr. ROBERTS. So that the commercial job, on that account, would be completed more quickly than the Government job?

Mr. WOOD. If we were only working single-day turns it would be.

Mr. STEPHENS. The cost, in that event, would be materially increased to the Government?

Mr. WOOD. Yes, sir; the cost under those conditions would be somewhat greater for the Government job.

Mr. WILLIAMS. What is the difference in the cost of labor?

Mr. WOOD. The difference results from the reduction in the hours of labor and the hours that we could operate our machinery. Under the eight-hour system our machinery would be idle two hours longer.

Mr. WILLIAMS. But if you ran 24 hours per day there would not be any difference?

Mr. WOOD. There would be some difference in the wages per hour of the men who worked on the eight-hour basis. Their rates per hour would be a little higher than the rates of those who worked 10 hours, but there would not be much difference.

Mr. TALBOTT. You have built several colliers for the Government, have you not?

Mr. WOOD. Yes. The eight-hour law, however, did not apply to any of them. In the case of the Panama colliers which we are now building for the Panama Canal Commission, the law exempts the work from the eight-hour provision.

Mr. TALBOTT. And what vessels you have built for the Government have been built inside of the time limit?

Mr. WOOD. Yes, sir. I think we have been inside of the time limit on all of our work. In the case of the collier *Orion*, with a cargo and bunker capacity of 12,500 tons, the contract time was 24 months and the ship delivered in 11 months. You would get these ships built under the conditions of the Panama colliers on the commercial basis; that is, on the basis of commercial work.

Mr. ROBERTS. Although practically built on naval lines or from naval designs.

Mr. WILLIAMS. If ships were built under a contract with the Panama Canal Commission, you would get the benefit of the same advantage, as though the work were being done for a private corporation.

Mr. WOOD. Yes, sir.

Mr. ROBERTS. You built the *Ancon* and *Cristobal*, did you not?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. I do not know whether you would want to answer a question as to the contract price of those ships.

Mr. WOOD. I have not the figures very definitely in mind. They were built about 12 years ago.

Mr. ROBERTS. Roughly, I have a recollection of the transfer of those ships, and my impression, roughly, is that they cost somewhere about \$500,000 or \$600,000.

Mr. WOOD. They cost more than that. As they stand to-day, with the passenger accommodations that were added on the west coast after they left our hands, I think they cost somewhere between \$800,000 and \$850,000.

Mr. ROBERTS. Apiece?

Mr. WOOD. Yes, sir; apiece.

Mr. ROBERTS. Can you tell us what the passenger capacity of those vessels is and what the cargo capacity is?

Mr. WOOD. I do not think their cargo capacity has been materially changed. It is about 11,000 tons and they have capacity for about 200 passengers.

Mr. ROBERTS. What would you say as to the probable cost of duplicating those ships to-day—that is, would a ship of 11,000 tons cargo capacity and a capacity for 200 passengers cost more or less than \$850,000?

Mr. WOOD. You mean duplicating those ships which have a speed of about 11 knots per hour or between 11 and 12 knots?

Mr. ROBERTS. Yes, sir.

Mr. WOOD. I do not think there would be much difference under existing conditions. The prices of materials are about as low—I think quite as low—as they were at that time. The shipyards are all hungry for work—

Mr. ROBERTS. How much would it cost to increase the speed of those ships to 16 knots?

Mr. STEPHENS. Before he answers that, permit me to ask him a question.

Mr. ROBERTS. Certainly.

Mr. STEPHENS. In answering Mr. Roberts's question, did you take into consideration the present war conditions in the world?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. How much would it add to the cost to increase the speed of those ships to 14 knots and to 16 knots? You can state it approximately, of course.

Mr. WOOD. It would require more than double the horsepower, and that would result in an additional cost in the neighborhood of \$200,000.

Mr. ROBERTS. Would that carry the speed up to 16 knots or to 14 knots?

Mr. WOOD. Approximately doubling the horsepower would carry it to 16 knots. The cost of increasing the speed to 14 knots would be about \$125,000.

Mr. ROBERTS. And it would cost about \$200,000 extra to increase it to 16 knots?

Mr. WOOD. Yes, sir; it would cost from \$200,000 to \$225,000.

Mr. ROBERTS. That addition would bring the cost in round numbers to about \$1,075,000?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. And you would then have a 16-knot ship?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. How much would it decrease the cargo capacity and the passenger capacity of that ship to add that additional horsepower in order to give it that additional speed?

Mr. WOOD. Of course the cutting down of the cargo capacity would depend on the length of the voyage and the amount of coal carried.

Mr. ROBERTS. That is, the amount of the bunker space you would have to provide?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. Well, assume a voyage from New York to Rio Janeiro.

Mr. WOOD. Running at a speed of 16 knots.

Mr. ROBERTS. Yes; assume a sustained speed of 16 knots.

Mr. WOOD. The passenger accommodations would not be affected.

Mr. ROBERTS. I imagined not, but I wanted to include that in my question in order to make sure.

Mr. WOOD. It would reduce the cargo capacity about 2,000 tons in one direction. If you took coal for the round trip, the cargo capacity outward would be reduced 4,000 tons and homeward about 2,000 tons.

Mr. TALBOTT. Then we would have a vessel of 7,000 tons capacity out?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. No commercial ship would carry her bunker coal for a round trip of that kind. She would coal at New York and again at Rio, or at each end.

Mr. WOOD. Yes, sir, probably; a ship of that speed.

Mr. ROBERTS. The space would be worth more for freight than for coal.

Mr. WOOD. Yes, sir.

Mr. ROBERTS. You have built some ships for the American Hawaiian Line, I understand?

Mr. WOOD. Yes, sir; we have built 13 ships for them.

Mr. ROBERTS. Are they sister ships, or ships of substantially the same tonnage and of the same general character?

Mr. WOOD. They are of the same general type and displacement, but differing somewhat in internal arrangement. Some of them have been fitted with very complete refrigerating space, but in other respects I think they are very nearly alike, except one, the *Honolulu*, which is on the west coast. She has accommodations for about 100 passengers.

Mr. ROBERTS. Does she carry a larger number of passengers than any others on that line?

Mr. WOOD. Yes, sir. Four of the other ships have accommodations for 16 passengers and the last eight have no passenger accommodations at all.

Mr. ROBERTS. They are purely freight carriers?

Mr. WOOD. Yes, sir; simply with accommodations for the crews.

Mr. ROBERTS. Will you describe the *Honolulu* to us, or the one carrying the largest number of passengers? Will you describe her in a general way, stating her tonnage capacity and refrigerating capacity?

Mr. WOOD. I think she has no refrigerating capacity. If I may do so, I would like to have Mr. Anderson give a technical description of that ship.

Mr. ROBERTS. I do not want it exactly technically, but in a general way. How much cargo does she carry?

Mr. WOOD. About 10,000 tons of cargo and bunker coal.

Mr. ROBERTS. How much of that is bunker coal?

Mr. WOOD. That is, oil I should say, instead of coal. All of them are oil burners. There would be about 800 tons of oil and 9,200 tons of cargo.

Mr. ROBERTS. Of what draft is she?

Mr. WOOD. Fully loaded 28 feet. She ordinarily runs about 27.6 feet.

Mr. ROBERTS. What would you construct a sister ship for?

Mr. TALBOTT. What is the speed of that vessel?

Mr. WOODS. Twelve knots nominally. They have an excess of power and are capable of making, I think, about 13 knots. The owners of the line were very liberal in their boiler and engine capacity, and they ordinarily do not use the full power.

Mr. ROBERTS. What would you construct a sister ship for? I do not mean to hold you down as though we were making a contract with you, but state approximately what would be the cost of a ship of that type?

Mr. WOOD. It would be between \$750,000 and \$775,000.

Mr. ROBERTS. How soon could you turn her out?

Mr. WOOD. In between 9 and 10 months.

Mr. ROBERTS. Could this *Honolulu* be turned into an auxiliary without any difficulty?

Mr. WOOD. I think so; yes, sir. She would make an admirable auxiliary. She is a three-deck ship.

Mr. ROBERTS. How much would it cost to put in her the same refrigerating space that you put in the other ships of that line?

Mr. WOOD. I think about from \$35,000 to \$40,000.

Mr. ROBERTS. Comparatively a small amount?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. And it would cost how much to increase her speed to 16 knots? You understand of course, I am asking for approximate and not the exact figures.

Mr. WOOD. Yes, sir; they are offhand figures, but they are not very far out. The cost would be about \$100,000.

Mr. ROBERTS. That would bring her cost somewhere in the vicinity of \$900,000?

Mr. WOOD. Yes, sir.

Mr. ROBERTS. With a speed of 16 knots, capacity for 100 passengers, and some diminution of her cargo capacity on account of increasing the speed?

Mr. WOOD. Yes, sir. I think that would be the outside figure.

Mr. ROBERTS. What would be the addition to her cost if she were made a combination burner of oil and coal, so that you could use either oil or coal?

Mr. WOOD. Practically nothing. As a matter of fact, the ships on this line carry grates which can be quickly thrown in, and they can be changed at will from coal to oil.

Mr. ROBERTS. Can you tell us how many tons of chilled meats this American-Hawaiian Line carries on those ships?

Mr. WOOD. No, sir; I can not. This space was intended for fruit on the west coast. The Government has one or two of those ships now under charter off Vera Cruz, acting as supply ships, refrigerator ships, and meat ships.

Mr. WOOD. Mr. Anderson thinks they can carry about 1,000 tons apiece and keep the temperature down well below freezing, down to about 18 or 19° F.

Mr. ROBERTS. Of course, you have in mind probably what is in my own thought, if we are going into this business we will have to make some provision for bringing meat from Argentina.

Mr. WOOD. Yes.

Mr. ROBERTS. And it would be a question whether it would be profitable to have a ship fitted up solely for refrigeration or whether it would be more advantageous to have some refrigeration and some bulk cargo.

Mr. WOOD. My judgment is the mixed cargo would be better.

Mr. ROBERTS. Would you think it more advisable to have all the ships engaged in the eastern South American trade, east coast, mixed, refrigeration and bulk cargo, or would you have just those running to Argentine ports fitted up in that way?

Mr. WOOD. I think they (the Argentine ports) are the only ports we are likely to get meat from in the near future.

Mr. ROBERTS. I was talking with the president of one of the large shipbuilding concerns in this country, a concern that builds battleships and ships of all types, and he said that 10 or 1 dozen ships like the transport or supply ship authorized in the last bill could be turned out the first one in six months and one every two or three weeks after that. Would you be able to form any opinion on that point?

Mr. WOOD. I should think that was a very short time for that number and type of ships, even scattered over all the yards. I should think that would be a shorter time than we could fairly expect.

Mr. ROBERTS. I did not ask him whether he contemplated running three shifts, working 24 hours a day.

Mr. WOOD. He may have had that in mind, as that would shorten the time of construction at least one month and a half, or possibly two months, below what would ordinarily be required.

Mr. ROBERTS. In your judgment, within 9 or 10 months we could begin to get delivery of these ships, and the others would follow very rapidly after that, if a given yard had two or three of them to build?

Mr. WOOD. Yes; that would be the way to get prompt delivery.

Mr. ROBERTS. And the fact that a given yard had two or three ships to build would reduce the cost somewhat, would it not?

Mr. WOOD. Yes; materially.

Mr. ROBERTS. A fairly good percentage?

Mr. WOOD. Not a very large percentage, but a few thousand dollars on each ship; probably about ten or twelve thousand dollars per ship, as between one ship and three.

Mr. TALBOTT. You could contract for three at your yard at once, could you not?

Mr. WOOD. Yes.

Mr. STEPHENS. Mr. Wood, do you know the average passenger capacity of the ships running between European ports and South American west coast ports via Panama?

Mr. WOOD. I do not. I am not at all familiar with that.

Mr. STEPHENS. Has Mr. Anderson that information?

Mr. ANDERSON. Probably four or five hundred passengers, first and second class.

Mr. STEPHENS. Are all the vessels of large passenger capacity?

Mr. ANDERSON. Yes; I believe so.

Mr. STEPHENS. Do they, as a general rule, use that capacity?

Mr. ANDERSON. No; not as a general thing. I do not believe they are more than half filled.

Mr. ROBERTS. Is the cargo capacity correspondingly reduced on those ships that have a passenger capacity of four or five hundred?

Mr. ANDERSON. It is, proportionately.

Mr. WOOD. Those ships are comparatively fast ships?

Mr. ROBERTS. Do you know the speed?

Mr. WOOD. From 15 to 16 knots.

Mr. ROBERTS. We were advised the other day that there were lines running from European ports to South American ports that averaged 20 knots. Do you know anything about that?

Mr. WOOD. That is to the east coast, I presume?

Mr. ROBERTS. Yes; to the east coast of South America.

Mr. WOOD. Mr. Stephen's question was with reference to the west coast.

Mr. STEPHENS. Yes.

Mr. ROBERTS. I had in mind the east coast. Do you know whether it is a fact that they are running 20-knot ships to the east coast?

Mr. WOOD. I do not, personally. Mr. Anderson says that he thinks that 18 is nearer correct than 20.

Mr. ROBERTS. Mr. Wood, there is just one further question I want to ask you. Suppose you wanted to build a ship of the general characteristics of the *Honolulan*, but wanted 200-passenger capacity, what changes would be required? Would you have to change the structure of the hull and the dimensions of the ship?

Mr. WOOD. No; I think not. The changes would be in the superstructure, mainly in the deck houses.

Mr. ROBERTS. And could those additional accommodations be secured without interfering with the hatchways for the discharge of cargo?

Mr. WOOD. It might interfere with one hatch, but not so as to materially affect the efficiency of the ship as a cargo carrier.

Mr. ROBERTS. Would the accommodations for the 100 additional passengers add materially to the cost of the ship? Of course that would depend somewhat on how elaborately you went into the accommodations?

Mr. WOOD. Yes. A very rough estimate would be \$30,000 or \$40,000.

Mr. ROBERTS. Of course, that means ordinary accommodations?

Mr. WOOD. Yes.

Mr. ROBERTS. I am not speaking of silk tapestries on the walls and all that sort of thing.

Mr. WOOD. I understand that.

Mr. STEPHENS. Mr. Wood, do all the vessels in regular lines between European ports and South American west coast ports via Panama carry passengers, or are some of them in freight service only?

Mr. WOOD. I would answer that by saying that the greater part of the freight between the South American ports and Europe is carried in strictly freight ships, not carrying passengers.

Mr. STEPHENS. Do they carry any passengers at all?

Mr. WOOD. Such ships do not carry any passengers at all. They are what are known as tramp ships.

Mr. STEPHENS. But in the regular lines they are generally fitted to carry passengers, are they not?

Mr. WOOD. No; I think not. There are regular lines of purely freight carriers.

Mr. STEPHENS. Do you know whether any of the lines that attempt to do both a freight and a passenger business limit their passenger capacity to 15 or 20 passengers?

Mr. WOOD. No; I do not. I think that very doubtful.

Mr. ROBERTS. Are there any lines from Europe to west coast South American points through the Panama Canal now?

Mr. WOOD. I do not know of any having been started yet.

Mr. ROBERTS. You do not know of any contemplated, do you?

Mr. WOOD. Yes; they have been contemplated and discussed, but whether any have been organized or not I do not know.

Mr. STEPHENS. Mr. Wood, are there any lines using that route at present?

Mr. WOOD. What route do you mean?

Mr. STEPHENS. From European ports to the west coast of South America via Panama?

Mr. WOOD. Via the canal or the railroad?

Mr. STEPHENS. By the railroad. My understanding is that some lines are using that route.

Mr. WOOD. I know only of the combined passenger and freight lines spoken of.

Mr. STEPHENS. I had freight lines in mind.

Mr. WOOD. I do not know of any strictly freight lines.

(The committee thereupon went into executive session, after which it adjourned until Thursday, August 20, 1914, at 10.30 o'clock a. m.)

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS,
HOUSE OF REPRESENTATIVES,
Thursday, August 20, 1914.

The subcommittee this day met, Hon. J. F. C. Talbott (chairman) presiding.

STATEMENT OF MR. ROBERT LANSING, COUNSELOR FOR DEPARTMENT OF STATE.

Mr. TALBOTT. Mr. Lansing, Mr. Williams desires to ask you some questions, and then the other members of the subcommittee may also desire to ask you some questions.

Mr. WILLIAMS. Mr. Lansing, perhaps you are familiar with the Weeks bill, which passed the Senate?

Mr. LANSING. Last February?

Mr. WILLIAMS. No; recently. That bill was referred to the Committee on Naval Affairs and by the committee referred to this subcommittee, and we are having hearings involving that bill and also the Edmonds bill.

Mr. LANSING. I have only seen Senate bill 5259 and am not familiar with others. The one which I have seen I only read this morning.

Mr. WILLIAMS. The first question that we want information on, as a legal proposition, is the liability that would attach to this Government if the Government itself was operating a line of steam-

ships engaged in the transportation of goods to South America and to European countries compared with the liability of a steamship company or an individual engaged in the same business. Can you give us some information along these lines?

Mr. LANSING. I suppose you refer to neutrality and to the question of contraband?

Mr. WILLIAMS. Yes, sir.

Mr. LANSING. I think that the transportation of contraband to a belligerent port in a public ship of the United States would go much farther than the mere matter of liability, and that it would be regarded an unneutral act.

Mr. WILLIAMS. That the United States transporting goods to English, French, or German ports would be a violation of neutrality?

Mr. LANSING. I think it might be so regarded.

Mr. WILLIAMS. That would not be true of an individual or a steamship company?

Mr. LANSING. Let me modify my answer by stating, I think so if the goods carried by the Government were in the nature of contraband, either conditional or absolute contraband.

Mr. WILLIAMS. And how far would the individual or the steamship company be liable under the same circumstances?

Mr. LANSING. Their vessel would be liable to seizure if she was carrying contraband.

Mr. WILLIAMS. But if carrying conditional contraband?

Mr. LANSING. If she were carrying conditional contraband, it would depend entirely on the destination of the goods. They become contraband when the destination is a government or a port occupied by the military authorities of that government.

Mr. WILLIAMS. That is, if there is a blockade, in fact then conditional contraband would be a violation of neutrality?

Mr. LANSING. Yes, sir.

Mr. ROBERTS. Mr. Williams speaks of a blockade in fact—

Mr. LANSING (interposing). A paper blockade is no longer recognized in international law.

Mr. ROBERTS. But if the vessel was going into a paper blockaded port and had goods which would be actual contraband and the enemy could get hold of them, would they not be liable to seizure?

Mr. LANSING. Certainly.

Mr. STEPHENS. Supposing a ship had started from the United States before a blockade had been declared and before it arrived at the port of destination a blockade was declared?

Mr. LANSING. In that case it would be an actual blockade and notice would be given outside the port by the blockading forces.

Mr. STEPHENS. Would the same rules apply?

Mr. LANSING. Yes, sir.

Mr. GERRY. An American vessel, even owned by the American Government and carrying goods, would be subject to examination just the same as any other merchant vessel?

Mr. LANSING. No, sir; that is one of the chief difficulties. We have no case which I know of of a public ship of any neutral country that is engaged in trade; but in a case where a merchant vessel or several merchant vessels of a neutral country are convoyed by neutral warships, it would seem to be the general opinion that a belligerent

could not search the vessels, but is bound to take the assurance of the naval officer in command of the convoy as to the character of the cargo. The Declaration of London presents a good rule on convoy. Of course, this declaration has not been adopted by any of the countries yet, but I think it states in general the substantial rule of international law in regard to neutral rights and duties as they exist to-day, though in some points it is open to question.

Mr. WILLIAMS. While not adopted, yet it is the declaration of Great Britain?

Mr. LANSING. No; it is the Declaration of London, but Great Britain has never ratified it. The Senate has ratified it. So it in a way represents our conscience, if it does not represent our law.

Mr. ROBERTS. And would it not represent the English conscience?

Mr. LANSING. To a large extent. There are a few features to which they object.

Mr. ROBERTS. You say there are no cases of Government-owned ships carrying commerce and being stopped?

Mr. LANSING. Yes. I think that is so.

Mr. ROBERTS. If this Government should send out ships owned by the United States with commerce that would be injecting a new question into international law?

Mr. LANSING. Rather a novel question.

Mr. ROBERTS. And one, in the disturbed condition of European affairs, that might not be decided, or the European countries might not act as we think they should act in the matter of seizure and search?

Mr. LANSING. That is possible.

Mr. ROBERTS. And that would be a rather ticklish thing for this Government to do, to send a Government-owned ship into a foreign port?

Mr. LANSING. That is my personal view. I would not say that that is the view of the department.

Mr. TALBOTT. Would you include the South American ports?

Mr. LANSING. No, sir; I do not think there would be much difficulty about the South American countries. The only trouble is that a public ship that has on board private cargoes and private individuals is likely to do some unneutral act on account of its cargo and on account of the people aboard.

Mr. WILLIAMS. That is, if destined to a hostile port or to a port of a belligerent?

Mr. LANSING. No; that is to a neutral port. For instance, the ultimate destination of the cargo might be a belligerent port, we do not know, and it might be taken to a neutral port for transshipment.

Mr. WILLIAMS. That is to say, if the Government or the shipper knew that was the intention, then it would be a violation of neutrality?

Mr. LANSING. Yes; if it was absolute contraband.

Mr. WILLIAMS. Suppose in good faith the purchaser at Buenos Aires, the consignee, wants to reship on his own account and without any connivance on our part or the shipper here, then it would not involve a violation of neutrality?

Mr. LANSING. Probably not. We could claim ignorance.

Mr. WILLIAMS. The presumption would be against us?

Mr. LANSING. The foreign Government might presume that the shipment of contraband on a Government ship is an unneutral act. Yet they could not seize and condemn the ship, because it is a public ship.

Mr. ROBERTS. A privately owned ship doing the same thing that a publicly owned ship would be doing would create this difference between the acts: The act of a privately owned ship might subject that ship to search and seizure, but would not involve a violation of neutrality?

Mr. LANSING. Not at all.

Mr. ROBERTS. But while the Government ship might be exempt from search or seizure it would be a breach of neutrality on the part of the Government?

Mr. LANSING. It might be so regarded.

Mr. ROBERTS. That is the distinction?

Mr. LANSING. Yes. There is a method which has been suggested as a possible means of avoiding this. That is, that the Government of the United States should purchase a number of merchant ships and lease them to the highest bidder.

Mr. WILLIAMS. We are coming to that point in a few moments.

Mr. LANSING. The point is, that being a leased vessel it would not be entitled to fly the Navy pennant of the United States.

Mr. TALBOTT. If German merchant ships were purchased by us and the purchase money went into the German treasury, how would that be considered by the English Government or the French Government or the Russian Government?

Mr. LANSING. The question of the transfer of vessels I think really rests on two conditions. If we can show in the purchase that it is a bona fide purchase and in the second place that it is not done to avoid capture, I believe the transfer can be made.

Mr. ROBERTS. But the general effect of that transfer on the enemy nations, not the legal status, is what I think Mr. Talbott had in mind.

Mr. LANSING. It might be objected to on the ground that it was done in order to avoid capture.

Mr. WILLIAMS. They are safe in our neutral ports?

Mr. LANSING. Absolutely.

Mr. TALBOTT. It is a question of policy?

Mr. LANSING. It is, for I think that we can maintain the legality of our right of transfer.

Mr. TALBOTT. England will have us as a competitor?

Mr. ROBERTS. In view of the proclamation, or statement, issued by the President a day or two ago, asking everybody to exercise restraint on both language and action, in order that no unfriendly feeling might be aroused in any foreign country, would you think it at all advisable, even if we have the legal right, to purchase ships privately owned by the German Emperor and his family?

Mr. LANSING. You are asking me a question of policy to which I would hesitate to make a reply. I have my own views, but I do not care to express them. The President is the one to determine that.

Mr. WILLIAMS. The fact that the German Emperor does own the controlling interest in these ships and in this shipping company would not alter or change the fact—that would not interfere with our purchase any more than if owned by other people?

Mr. LANSING. No, sir; I do not think that makes the slightest difference from a legal standpoint.

Mr. STEPHENS. Would it not make a difference because it would be much more likely that the money obtained by Germany from the sale of these ships would go into the public treasury than if the steamships were owned by 10,000 stockholders?

Mr. LANSING. My understanding is that the German Emperor's property is owned as an individual, and so I do not see that it would make the slightest difference. In other words, I do not think that a vessel obtains any national character from the fact that a ruler holds shares in the company.

Mr. ROBERTS. While it does not gain any national character, yet in a broad consideration of the question, do you not think that the enemy nations to Germany would look on the purchase of ships in which the Emperor had a large interest in a different light from the purchase of other German ships in which the German Emperor had no interest? Do you not see a distinction there in ownership that might create more or less antagonism?

Mr. LANSING. Possibly; but I do not know.

I will show you where the presumption as to lack of bona fides really takes us. This is the article of the London Declaration which applies:

ART. 56. The transfer of an enemy vessel to a neutral flag effected after the outbreak of hostilities is void unless it is proved that such transfer was not made in order to evade the consequences to which an enemy vessel, as such, is exposed:

Provided, That there is an absolute presumption that a transfer is void—

(1) If the transfer has been made during a voyage or in a blockaded port.

Of course, she is liable to capture at any time on the high seas.

(2) If a right to repurchase or recover the vessel is reserved to the vendor.

(3) If the requirements of the municipal law governing the right to fly the flag under which the vessel is sailing have not been fulfilled.

Now, in the report which was drawn by Mr. Louis Renault, the French delegate, appears the following:

At one time provision was made in this article for the case of a vessel which was retained, after the transfer, in the trade in which she had previously been engaged. Such a circumstance is in the highest degree suspicious.

In other words, suspicious as to her avoiding capture.

The transfer has a fictitious appearance, inasmuch as nothing has changed in regard to the vessel's trade. This would apply, for instance, if a vessel were running on the same line before and after the transfer.

In other words, the whole presumption would be in favor of an avoidance of capture.

It was, however, objected that to set up an absolute presumption would sometimes be too severe, and that certain kinds of vessels, as for example, tank ships, could, on account of their build, engage only in a certain definite trade. To meet this objection the word "route" was then added, so that it would have been necessary that the vessel should be engaged in the same trade and on the same route; it was thought that in this way the above contention would have been satisfactorily met. However, the suppression of this case from the list being insisted on, it was agreed to eliminate it.

If she was engaged in the same trade and on the same route there would be a strong suspicion that the transfer was made to avoid capture, but still it would not be an absolute presumption.

Consequently, a transfer of this character now falls within the general rule; it is certainly presumed to be void, but the presumption may be rebutted.

Mr. ROBERTS. Has a case ever arisen where a warship of a belligerent being pursued has taken refuge in a neutral port and then been transferred to the neutral nation?

Mr. LANSING. The rule is that they be interned. In the case of commercial ships they could be sold, though the presumption is strong that the owners are attempting to avoid capture, but the presumption can be overcome by evidence. In case of such a purchase at the present time we would be simply taking advantage of the situation to improve our merchant marine.

Mr. WILLIAMS. We are driving a bargain?

Mr. LANSING. Possibly it may be so considered.

Mr. WILLIAMS. Do you know the extent of the authority of the Panama Railroad Co. under its charter?

Mr. LANSING. No, sir.

Mr. WILLIAMS. I can state it this way: If the Government were to acquire these vessels to be used in the Navy, in the time of war to be converted into transports or colliers for use in the Navy, and to permit or authorize their use during time of peace as merchantmen under some authority—and it seems to meet with favor in the committee that the power and authority of the Panama Railroad Co., which is already engaged in transportation and running a line of boats, should be so extended as to enable it to operate additional boats to ports on both the east and west coasts of South America—now, could you give us your views as to the extent to which we can operate along those lines and avoid a breach of neutrality?

Mr. LANSING. I do not know enough about the Panama Railroad Co.'s relationship to the Government to say whether it is a private or public corporation in the matter of its property.

Mr. WILLIAMS. The fact is that the Government of the United States is the owner of a majority of stock in the Panama Railroad Co.

Mr. STEPHENS. All of it.

Mr. WILLIAMS. I do not believe it is all.

Mr. STEPHENS. Every share of it.

Mr. LANSING. Well, but suppose it is every share. It is a private corporation, is it not?

Mr. WILLIAMS. Now, they operate a line of boats from New York. The primary object was to provide a means by which materials could be transported to the Panama Canal; but incidentally they have carried freight, and rather extensively, to Cristobal. And it has been reshipped across the Isthmus. It has built up rather a good trade in this business. Now, to avoid the United States operating these steamships and to avoid the responsibility that might attach, if operated by the United States, we thought perhaps if acquired by the Government they could be operated by the Panama Railroad Co. and its sphere of operations could be extended. Now, that was the thought we had in mind upon which we wanted some legal opinion.

Mr. LANSING. I do not believe I am competent to give it to you

for the reason that I am not sufficiently familiar with the precise relation between the Government and the Panama Railroad Co. or as to the latter's character as a private or a public corporation. Perhaps the easiest criterion of the character of its vessels would be whether or not they would be entitled to fly the Navy pennant of the United States. If they are not entitled to fly the naval flag of the United States they would have a private character. If they are entitled to do so, they would have a public character. If they have a private character, they would be subject to all the rights that a belligerent has toward a neutral in the matter of search, seizure, and condemnation for carrying contraband.

Mr. WILLIAMS. Suppose they were legally entitled but never have flown the naval flag, are they still a public corporation as you have defined it?

Mr. LANSING. I would not want to say.

Mr. GERRY. You do not think, Mr. Lansing, that the fact that the vessels were officered by American naval officers, even if they were retired naval officers, or the fact that the vessels were constructed with the idea of, in time of war, becoming naval auxiliaries, would in any way change the question?

Mr. LANSING. Well, that question is before us to-day. That is the question of the conversion of the merchant ship into a ship of war. The British Government claims that a ship of war—

Mr. ROBERTS (interposing). Is that the *Galveston* case?

Mr. LANSING. That is one. But we have had the subject up in a general way and not in a specific way. The claim of the British Government is—and it is one that they maintained at The Hague and also maintained at the London conference—that a merchant vessel could not be converted into a war vessel by a belligerent while on the high seas, and that it could only be converted in the waters of the belligerent, or in waters occupied by belligerent forces. The German Government, on the other hand, claimed they could convert them on the high seas into war vessels. It is well established that they can be converted in the territorial waters of a belligerent and that they can not be converted in neutral waters. On the other hand, on the question as to whether they can be converted on the high seas, it is held by the British Government that they can not be, and it is held by the German Government that they can be. My recollection is that France and Russia agree with Germany and that Belgium agrees with England. In fact, the belligerents do not agree at all. So far as employing naval officers on a private ship, I can see difficulties in the way of it, but at the same time nearly all the nations of Europe do that. All of the trans-Atlantic lines of Germany and France, I am informed, have been officered by their naval reserves, and, I think, in some cases, by the officers of the regular navy.

Mr. STEPHENS. Mr. Lansing, supposing the Government of the United States owns all of the Panama Railroad Co.'s stock and establishes a line of passenger and freight steamships between ports of the United States and ports of South America, and the business is attended to by these Panama Railroad Co.'s steamships, and are officered by retired naval officers and perhaps manned by sailors in the service of the United States; do you believe the United States

would be liable to get into positions where its neutrality would be seriously questioned?

Mr. LANSING. Some foreign Governments might so regard it.

Mr. STEPHENS. Under those conditions, suppose the trade was with ports of Europe, would our neutrality be questioned?

Mr. LANSING. I think it very probable.

Mr. WILLIAMS. Mr. Lansing, a while ago you said that the consequences of Government ownership of these vessels which might be acquired might or could be avoided by leasing. I will ask you to give us your opinion as to the liability that we would incur in a breach of neutrality by so conducting or operating these ships.

Mr. LANSING. We would not be operating them; the operation would be by private parties. Yet even in that case I can see that, if the private parties that operated them carried on a trade to a great extent in munitions of war to a belligerent country, there might be objection on the part of the other Government that the United States was actually giving aid to a belligerent.

Mr. TALBOTT. Could not that be easily obviated by not allowing munitions of war to be shipped on vessels of that character?

Mr. LANSING. Yes; but where are you going to stop in the matter of contraband?

Mr. ROBERTS. But suppose they violate the injunction laid on them by the Government in the lease? We might lease those ships with a clause forbidding them to carry any contraband of war, and suppose they violate it. We are still owning those ships, and we put them into their hands. How far would we be held responsible for a violation of neutrality, although they had broken their express agreement with the Government when they did it? In other words, can we escape liability by saying that we told them not to do it?

Mr. LANSING. No; I don't think so.

Mr. ROBERTS. Is not it the same question that comes up in cases of selling liquor to minors? For instance, in my State it does not make any difference what the saloon keeper says to the bartender; if the bartender sells liquor to the minor the proprietor is liable.

Mr. WILLIAMS. That proposition of law does not extend to general trade conditions. That is applied to a particular condition.

Mr. ROBERTS. But when nations are dealing with each other they are looking at the primal causes of things and not at the minor agencies through which things are done.

Mr. WILLIAMS. Suppose that the Government acquired ships from Germany or from any other belligerent, and authorized them to be operated by the Panama Railroad Co., or by any other private enterprise, and they were engaged in the transportation of goods to South American ports, and a reasonable suspicion arose on the part of England or some other belligerent that they were to be reshipped to hostile ports, and suppose they were to undertake to exercise their rights of seizure and search. Now, bearing in mind that the vessel is owned by the United States, though it is operated by a private concern, would not that tend to involve the Government in very serious complications, at least in a question of honor?

Mr. LANSING. I do not think you could avoid it, unless you adopt some suggestion like the one you have made in regard to ownership by the Panama Railroad Co.

Mr. ROBERTS. Suppose this fact: That we are now operating through the agency of the Panama Railroad Co. a line of steamships owned by the Panama Railroad Co., and that the ultimate ownership of the railroad company and the steamships is in the United States Government. Those ships are now in operation. Suppose one of those ships sails out of New York to-morrow with a cargo that would be contraband if it was shipped direct to certain ports in Europe. But it is not shipped there; it is shipped to a port on the west coast of South America. The Panama Steamship Co. carries it to Cristobal. It is there put on the railroad, taken to Balbao, and shipped on a Chilean, we will say, ship to its ultimate destination. The ultimate destination of the cargo is a blockaded belligerent port. Now, we have aided it to that blockaded belligerent port. We have been one link in the chain of getting that contraband from this country over to the European port. Suppose that, after the war in Europe is over, one of the powers that was aggrieved by our action in participating in that transaction should hale us before The Hague tribunal on arbitration, would not The Hague tribunal look at the essence of that thing rather than the form of it? Would not they be apt to say that the United States can not escape its liability by saying that while it owned all the apparatus used in the transaction, yet it allowed it to be operated by what was ostensibly a private concern? In other words, could we, in an international court, through that subterfuge, escape our liability?

Mr. LANSING. I think we probably could. I think the liability is too remote in the case which you suppose.

Mr. ROBERTS. Well, suppose we buy a lot more ships and put them under the control of the Panama Railroad Co., and they develop trade with the east and west coasts of South America, say in coal, and the same thing happens. A cargo is sent the whole distance from New York to Valparaiso in one of these American ships.

Mr. LANSING. To where is it consigned?

Mr. ROBERTS. Ostensibly Valparaiso.

Mr. LANSING. Unless you could show that it was to an agent of a belligerent power I do not think that it would affect it at all one way or the other. I do not see why we would be compelled to go so far to determine whether or not the coal was contraband.

Mr. ROBERTS. I am glad to have you say that, because that clears up one of the points that is somewhat doubtful in the minds of some of the committee.

Mr. LANSING. I think it is too remote from the sphere of war. I do not think there could be any question about shipments of that sort to a South American port.

Mr. GERRY. You do think that the United States Government has to take the attitude of investigating all shipments made in order to determine whether or not they are eventually, in transshipment, going to a belligerent?

Mr. LANSING. Suppose I tell you my views on the general principle. The restrictions on normal trade which are imposed on neutrals in time of war are for the benefit of belligerents, and therefore should be strictly construed against the belligerents. So far as the duties of neutrals are concerned, a neutral is entitled to take the line of least resistance—that is, he is not bound to make burdensome investigations or to go further than is absolutely necessary to

conform to what is recognized as the accepted rules of international law in the matter of neutrality.

Mr. ROBERTS. How far is the neutral bound to investigate the nature of the cargo that he is carrying?

Mr. TALBOTT. To a neutral port?

Mr. ROBERTS. No; I am speaking now of a belligerent port.

Mr. LANSING. You mean the carrier himself?

Mr. ROBERTS. Yes, sir.

Mr. LANSING. He is liable to have his ship seized if he is carrying contraband.

Mr. TALBOTT. He can carry what he pleases and take the risk.

Mr. LANSING. Yes.

Mr. ROBERTS. But suppose the shipment is billed as hams in barrels and, as a matter of fact, they are revolvers in barrels?

Mr. LANSING. I do not think that would be a valid excuse.

Mr. ROBERTS. He is put on his notice just the same?

Mr. LANSING. Yes.

Mr. ROBERTS. But has not that question been raised and have we not had difficulties in these South American insurrections, where they have been shipping these things out of this country under false bills of lading, for instance, in the case of Mexico?

Mr. LANSING. Yes. That was a question of whether or not there was a violation of the neutrality laws of the United States.

Mr. ROBERTS. That is what I am leading up to. As I understand it, from your statement the Government could fall back on the bill of lading and say that the bill of lading called for hams and it was not our business to break into them.

Mr. LANSING. You are speaking of the Government as the owner of the vessel?

Mr. ROBERTS. No; I am speaking of the Government being charged with violation of neutrality in allowing contraband of war to be shipped out of its ports.

Mr. LANSING. There is no such liability. We do not interfere with the shipment of anything.

Mr. ROBERTS. But we have interfered in these buccaneering expeditions.

Mr. LANSING. That is because we have a special law in regard to embargoes. We shipped everything to Mexico until the President, empowered by Congress, prohibited the exportation of munitions of war. That was a matter of executive discretion. The Government is not bound to do it in every case. It is a discretionary power conferred upon the Executive more as a matter of friendliness to neighbors in preventing revolution.

Mr. ROBERTS. Well, we could not be charged with a violation of neutrality if we allowed a cargo to go out falsely billed as food-stuffs when it was munitions of war?

Mr. LANSING. Not at all.

Mr. TALBOTT. Suppose we were to ship arms to a South American port that was neutral. Suppose a South American country should order 50,000 stand of arms for the Government; there would be nothing wrong about that?

Mr. LANSING. Absolutely nothing.

Mr. TALBOTT. Then, suppose that South American Government sold that shipment of arms and shipped it to a belligerent?

Mr. LANSING. That would be violation of neutrality by that Government.

Mr. WILLIAMS. Now, suppose the Weeks bill was passed and auxiliary ships in the Navy and others acquired by the Government should be operated between the coasts of the United States and South American ports, under the authority and auspices of the Navy Department, and manned by Navy officers and seamen. Would there not be a much greater liability on the part of the Government than if they were operated by the Panama Railroad Co.?

Mr. LANSING. My personal view is, it would involve the Government more.

Mr. WILLIAMS. In fact, would not its operation under the Navy Department make it, in effect, as a legal consequence, operation by the Government of the United States?

Mr. LANSING. I think so. That is my personal view.

Mr. WILLIAMS. Well, I think you are right on that. I do not see how there could be any doubt about that.

Mr. ROBERTS. But you think that that whole effect could be obviated by the leasing of those vessels to a private concern?

Mr. LANSING. I do not believe I want to express an opinion as to that. I will say that there would be less liability.

Mr. ROBERTS. But you can see that there would be some liability?

Mr. LANSING. I think so.

Mr. ROBERTS. I am not making so much of the question of the right of search as the question of involving this Government in the complications abroad. I should hesitate very much to advocate anything that would be liable to put us in the position of being accused of a breach of neutrality, and that is why I am persisting a little bit in trying to get your views as to the effect of our Government buying the ships and then turning them over by lease to a private concern. You said a moment ago that if the Government should buy and operate these ships, with its own officers and men, the danger of being accused of violation of neutrality would be greater than if the Government turned them over to a private concern. Now, is there not still danger—

Mr. LANSING (interposing). I think there is a measure of danger. I do not see how we could avoid that. The United States would be engaged in operations that are usually carried on by private individuals and to which the rules of international law in regard to neutral shipping apply. I think we have no precedent at all of a public ship carrying on mercantile transactions or making a mercantile voyage.

Mr. ROBERTS. Then the question resolves itself down to this: That if the Government is going into the commercial carrying of freight in ships owned by the Government there is an element of danger, whether it does it with its own officers and men or whether it leases the ships. Then it becomes a matter of policy whether it will run that ship, whether the exigency that confronts us is great enough to warrant us in running the risk of embroiling ourselves in this great European quarrel.

Mr. LANSING. Of course, so far as that is concerned, you could limit your cargoes by providing that a Government-managed ship should not carry any contraband at all.

Mr. STEPHENS. But suppose it did?

Mr. LANSING. But a Government-managed ship could not do it and do any business.

Mr. TALBOTT. You see, if the Government owns and manages them and runs them they can regulate every pound of freight that goes abroad.

Mr. STEPHENS. Suppose the Government loaded a ship in New York with articles not contraband when loaded and started for a foreign port, and the cargo was declared contraband before it was landed?

Mr. TALBOTT. The Government would receive that information before the cargo was landed, and it would not be subject to seizure on the high seas.

Mr. LANSING. But if you do that it would practically eliminate any mercantile transaction with belligerents, because if you carry on your trade with European countries it would include conditional contraband, and conditional contraband covers nearly everything. You would not have very much trade. For instance, foodstuffs are conditional contraband; also forage and grain; even clothing. All are conditional contraband.

Mr. TALBOTT. But in dealing with neutral ports we would have no difficulty, because if it was declared contraband before it landed the Government would say, "We will not discharge that part of our cargo," and as long as the Government owns it it can regulate the shipment and discharge of its cargoes.

Mr. LANSING. The conditional contraband could not be considered contraband by the belligerents when going to a neutral port unless the consignment was to a belligerent Government by means of transshipment at the neutral port; and, of course, we would not do that.

Mr. TALBOTT. The object of all this legislation is to build up the trade of South America, because we can not build up any trade in Europe now.

Mr. WILLIAMS. Mr. Lansing, what we would like to have would be the opinion of the State Department on this question, through the Counselor of the State Department, as to whether or not this Government can acquire vessels, either by building or by purchase and turn them, under a proper lease or contract, over to the Panama Railroad Co. as it is now organized and constituted, for general South American trade.

Mr. LANSING. Will you put that in a communication to the Secretary of State and ask for the opinion of the department?

Mr. WILLIAMS. Mr. Chairman, may I do that?

Mr. TALBOTT. Yes, sir; but you know there is a clause that prohibits any railroad from operating ships through the canal, although it probably does not apply to the Panama Railroad.

Tell us just what we can ship to a neutral port?

Mr. LANSING. You can ship anything.

Mr. ROBERTS. In order to clear it up in my mind, just what does contraband mean?

Mr. LANSING. Perhaps I had better read the list to you from the London declaration, which substantially states the law.

Mr. ROBERTS. Perhaps a question might clear up the thought in my mind. Conditional contraband evidently implies something which, under one condition is, and under another condition is not, contraband?

Mr. LANSING. Yes.

Mr. ROBERTS. Does that mean that foodstuffs, if consigned to a belligerent port, are contraband, and if consigned to a neutral port are not contraband?

Mr. LANSING. Yes, sir; in a general way.

Mr. ROBERTS. Does it go farther than that?

Mr. LANSING. Let me read the declaration of London as to that:

Absolute contraband is liable to capture if it is shown to be destined to territory belonging to or occupied by the enemy, or to the armed forces of the enemy.

It is immaterial whether the carriage of the goods is direct or entails transshipment or a subsequent transport by land.

Conditional contraband is liable to capture if it is shown to be destined for the use of the armed forces or of a Government department of the enemy State, unless in this latter case the circumstances show that the goods can not in fact be used for the purposes of the war in progress.

You see, in the case of absolute contraband, if it is shipped to a private party, even if not destined for the army, it may be seized. It is the destination that governs. In the other case it is a question of the consignee—

Mr. ROBERTS (interposing). And use?

Mr. LANSING. And use. Absolute contraband consists of munitions of war. Conditional contraband covers a great many articles that normally are not contraband.

Mr. ROBERTS. Is there any presumption raised when foodstuffs are consigned to an individual inhabitant of a belligerent country?

Mr. LANSING. No, sir.

Mr. ROBERTS. Is there a presumption that it is for the ultimate use of the Army?

Mr. LANSING. No, sir; I think the presumption is the other way. It is necessary to show the consignee is probably an agent of the Government.

This is what Mr. Renault says in his report, and, by the way, the report of Mr. Renault was practically adopted, as I understand it, at the conference, and contains, therefore, an official interpretation of the different articles of the declaration:

The rules for conditional contraband differ from those laid down for absolute contraband in two respects: (1) There is no question of destination for the enemy in general, but of destination for the use of his armed forces or Government department; (2) the doctrine of continuous voyage is excluded. Articles 33 and 34 refer to the first and article 35 to the second principle.

The articles included in the list of conditional contraband may serve for peaceful uses as well as for hostile purposes. If from the circumstances the peaceful purpose is clear, their capture is not justified; it is otherwise if a hostile purpose is to be assumed, as, for instance, in the case of foodstuffs destined for an enemy army or fleet, or of coal destined for an enemy fleet. In such a case there is clearly no room for doubt. But what is the solution when the articles are destined for the civil government departments of the enemy state? It may be money sent to a Government department for use in the payment of its official salaries, or rails sent to a department of public works. In these cases there is enemy destination which renders the goods liable in the first place to capture and in the second to condemnation.

The reasons for this are at once legal and practical. The State is one, although it necessarily acts through different departments. If a civil department may freely receive foodstuffs or money, that department is not the only gainer, but the entire State, including its military establishment, gains also, since the general resources of the State are thereby increased. Further, the receipts of a civil department may be considered of greater use to the military administration and directly assigned to the latter. Money or foodstuffs really des-

tined for a civil department may thus come to be used directly for the needs of the Army. This possibility, which is always present, shows why destination for the departments of the enemy state is assimilated to that for its armed forces.

Mr. ROBERTS. What you have just read is presumably the law that should be applied in an international tribunal governing the contraband and the right of confiscation and condemnation. With belligerents at war, especially under conditions as they are in Europe, where there never have been so many belligerents in a war as now, are they not very apt to make investigation as to the ultimate destination of conditional contraband when they find it going in the direction of the enemy; are they not very apt to grab it and let the question be settled by international tribunal after the war is over?

Mr. LANSING. Yes.

Mr. ROBERTS. That brings us down to a practical question: How much of this conditional contraband freight would be apt to go in American-owned, Government-owned, and privately owned bottoms of any sort while the war is going on? In other words, will there not be a repetition of what happened on the Pacific during the Russo-Japanese War, where they sent over conditional contraband and the vessel was held up for months until after the close of the war, and then it was decided that they were not contraband, but in the meantime the owners of the ship had to pay the wages of the crew and permit the ship to lie there eating her head off?

Mr. LANSING. That is true.

Mr. GERRY. Ships going from one neutral port to another are only required to show their papers?

Mr. LANSING. She could be visited and searched.

Mr. GERRY. If a vessel were flying the naval flag it could not be stopped?

Mr. LANSING. I do not think it could; but, if she was engaged in trade, it might be different. It is a novel question.

Mr. GERRY. Is that recognized?

Mr. LANSING. Yes, sir; as to warships.

Mr. ROBERTS. Suppose she flew the Treasury flag—the flag of the Revenue-Cutter Service?

Mr. LANSING. I suppose the same rule would apply. She would be recognized as a public ship.

Mr. STEPHENS. If the Government owned a line of steamships and had leased them to A B, and the articles of the lease provided that A B was not under any circumstances to carry contraband of war, and A B should carry contraband of war, would such be considered a violation of neutrality by the United States Government?

Mr. LANSING. It would seem to me that the United States might be considered to have used due diligence in making its contract with the individual and had tried to enforce it. It is a matter of due diligence. That is a pretty elastic term. You can not require a neutral Government to go further than to use due diligence. Now, as to due diligence, you have to take into consideration how damaging the breach of neutrality would be to the belligerent. If it could only cause very slight damage, the Government would not have to use the same diligence as if it should have a decided effect on the belligerent's right. It is necessary to take up each case and decide whether the Government acted in good faith and has done all it properly should do. In other words, the Government is not bound to perform over-

burdensome duties. The point is that the neutral Government must be relieved just as far as possible of the burden of preserving neutrality.

Mr. WILLIAMS. Would the Government be as free from liability in the case of government-owned ships leased outright as it would be if the lessee was the owner?

Mr. LANSING. No; I think as a lessor the Government would be involved to an extent. That is to say, if the vessel is seized and condemned, the Government of the United States as owner is going to be a loser, and that fact might have a bearing on the question of liability for breach of neutrality.

Mr. TALBOTT. Our idea was that we were building auxiliaries for the Navy. If we build vessels and operate them and have them so constructed that they can be used as transports and auxiliaries, ships of that sort, we are building up an auxiliary for the Navy and getting the trade at the same time.

Mr. LANSING. Here is the point: Suppose we establish a Government-owned merchant marine trading with South American ports and flying the naval flag, and they are capable of being used in case of war as auxiliary cruisers; then so soon as we entered into a state of war with another Government every one of those vessels in a neutral port would doubtless be ordered out in 24 hours as public ships of the United States. On the other hand, if owned by a private concern, they would remain merchant vessels from our point of view, and they could remain there in perfect safety.

Mr. WILLIAMS. If leased to a company such as the Panama Railroad Co., would she still have the characteristics of a public ship?

Mr. TALBOTT. If leased by the Government?

Mr. LANSING. I am afraid it might be so held, but probably not if owned by the company. In the operation of this proposed mercantile fleet, Government owned and leased or owned outright by the Panama Railroad Co., if the zone of operations is practically confined to South America, I do not think that circumstances would be likely to arise to cause trouble so far as its trade operations are concerned in the present war.

(Thereupon the subcommittee adjourned to meet to-morrow, Friday, August 21, 1914, at 10.30 o'clock a. m.)

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS,
HOUSE OF REPRESENTATIVES,
Friday, August 21, 1914.

The subcommittee met at 10.30 o'clock a. m., Hon. Joshua F. C. Talbott (chairman) presiding.

STATEMENTS OF MR. E. A. DRAKE, VICE PRESIDENT PANAMA RAILROAD CO., AND MR. T. H. ROSSBOTTOM, ASSISTANT TO THE VICE PRESIDENT AND SECRETARY OF THE PANAMA RAILROAD CO.

Mr. TALBOTT. Mr. Drake, will you give us your full name and occupation?

Mr. DRAKE. Edward A. Drake, 24 State Street, New York, vice president Panama Railroad.

Mr. TALBOTT. Mr. Drake, what is the capital stock of the Panama Railroad?

Mr. DRAKE. \$7,000,000, sir; 70,000 shares.

Mr. TALBOTT. Who is it owned by?

Mr. DRAKE. Entirely by the United States Government. The stock stands in the name of the Secretary of War, except 13 shares, 1 share each in the name of each of the directors, which they are required by law to hold in order to qualify. The Government has an option of purchase on each one of those shares, holds the stock certificates in escrow, and has made a part payment on account of them of \$10 to each director. As the certificate of incorporation requires that a director shall be a stockholder, the Secretary, having physical possession of the certificates, needs only to write in a name to make a transfer.

Mr. STEPHENS. Who are the directors?

Mr. DRAKE. They are all Army and Navy officers except a few civilians. Col. Goethals is the president and has charge of the operation of the railroad on the Isthmus in differentiation from the canal. I have charge of the operations of the New York end of the railroad and its steamship line.

Mr. WILLIAMS. Have you the charter with you?

Mr. DRAKE. Yes, sir. We brought, as far as possible, everything we thought you would require.

Mr. STEPHENS. Mr. Drake, is the company given the widest possible latitude under that charter?

Mr. DRAKE. It is what is called an open charter.

Mr. TALBOTT. Where was your charter obtained?

Mr. DRAKE. In the State of New York, on April 7, 1849.

Mr. STEPHENS. The charter permits the company to do almost everything?

Mr. DRAKE. Yes, sir. It is under that charter that we are engaged in furnishing supplies and materials and other facilities at the Isthmus; it is under that phase of the charter and the concession from the Republic of Panama, which is the underlying reason for our being on the Isthmus, that gives us the broadest latitude. I would like to make this point: The steamers are operated under the authority in the charter only, which you will find on the first page, and states that the railroad is authorized to operate such steamers or sailing vessels as are necessary or convenient in connection with the railroad.

Mr. WILLIAMS. The language is as follows:

Authorized to purchase and use such steam or sailing vessels as may be proper and convenient to be used in connection with the said road.

Mr. DRAKE. In connection with the road: yes, sir. Let me say there, gentlemen, that the steamers would run to the railroad terminals. The railroad owns and operates the terminals down there, the docks and the terminal facilities, so that any ship that did not run there would have to operate in connection with the railroad. The reason I referred to that was to make the point that the concession has nothing whatever to do with the operation of the ships. The ships are domiciled here, are under the American flag, and subject to the United States department rules and regulations.

Mr. STEPHENS. Mr. Drake, could a Panama Railroad vessel leaving New York with a cargo of merchandise go through the canal

to some South American point and there unload, without having broken cargo at all, be considered as doing business in connection with the railroad?

Mr. DRAKE. We have assumed so because the ships are owned by the railroad. They are operated by the railroad facilities and are considered necessary and convenient for the railroad. In order to make that perfectly clear, the Government—not with this point in view, but for other reasons—has recently determined that the railroad should discontinue operations as a competitor with the canal. That was to meet the requirement under the canal act that no railroad should be allowed to operate steamers that competed with the railroad, so that the Government has decided that the railroad must drop out as an intermediate carrier in all of that through business.

Mr. WILLIAMS. If this charter were strictly construed, as I presume charters are, the language, "Such as may be proper and convenient to be used in connection with the railroad," would preclude the use of steamers or a line of steamers to Buenos Aires and other coast cities that did not operate through the canal, would it not?

Mr. DRAKE. It would appear that that construction might be placed upon it; that is, if ships were operated out of New York to Rio or Montevideo as Panama Railroad ships. It might be construed that we were exceeding our charter rights in operating those ships.

Mr. WILLIAMS. Those operated on the west coast and through the Panama Canal, or in connection with this railroad, probably could be construed as used for convenience in connection with the railroad?

Mr. DRAKE. Yes; because we can not operate through the canal without the railroad deriving a revenue. All the facilities are constructed, paid for, and owned and operated by the railroad except those that have been built by the Panama Canal at our terminal on the Pacific, and present plans provide they are to be turned over to and operated by the railroad.

Mr. WILLIAMS. Do you know whether it would be difficult to have this charter amended by legislative act of New York?

Mr. DRAKE. I do not think it would, although if my advice were asked I would not tinker with it at all.

Mr. WILLIAMS. The corporation laws of New York are very liberal, are they not?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Could that be done except by an act of the legislature?

Mr. TALBOTT. Would you have to go to the legislature to amend that charter?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. What would be the objection, Mr. Drake, to the Federal Government giving you a Federal charter with all of these powers and also additional powers?

Mr. DRAKE. That is what I had in mind. None at all. At present we are absolutely a private corporation, and that autonomy is recognized by the Government in all its departments. Our relations with the Government, with the commission, with the canal are conducted on that basis.

Mr. ROBERTS. That would be equally true if you had a Federal charter?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. I do not apprehend, Mr. Drake, there would be much trouble if we gave you a Federal charter embodying everything in your present charter and something more, in changing over?

Mr. DRAKE. I do not anticipate so. I could not anticipate any trouble in having the charter amended as we want it. The only difficulty would be that we would raise a new question, and except its being raised here now, I have never heard of it before. Of course, that is a matter for you to consider.

Mr. ROBERTS. Have you in mind just what we are driving at?

Mr. DRAKE. I think so, and I am very much interested, because I want to say at the very outset that I have felt a good deal of pride in operating the one line that carries the American flag in all its business; and I would like to say to the committee now that because of the way that one line with the American flag has been operated it has been able to control the situation to the advantage of the Government and the public in keeping down and regulating rates and keeping down the cost, incidentally, of the canal.

Mr. WILLIAMS. Under the American flag but not under the flag of the Navy.

Mr. DRAKE. No, sir.

Mr. WILLIAMS. But just as an individual corporation might operate a steamship line?

Mr. DRAKE. Yes, sir; I meant vessels of American registry.

Mr. WILLIAMS. The vessels are not owned by the company, are they?

Mr. DRAKE. They are owned by the Government. When the Government bought the company, we only had three ships, and the Government bought and placed four other ships in our service.

Mr. WILLIAMS. But they belong to the auxiliary fleet of the Navy?

Mr. DRAKE. No, sir; not yet.

Mr. WILLIAMS. But they are to become such when you no longer need them?

Mr. DRAKE. Two of them, the *Ancon* and the *Cristobal*, otherwise known as the cement ships, are to be so equipped, and one of them has already been turned over to the Quartermaster's Department. I presume the other one will be later. But in addition to that the Government owns two ships, bought through the canal appropriations, of 6,000 tons register, the *Colon* and *Panama*, placed in our service without charter, hire, interest, or depreciation to operate with the obligation to maintain them in good order and condition ready to be turned over at any time.

Mr. STEPHENS. Those vessels have no right to fly any department flag, except through courtesy when an officer comes aboard?

Mr. DRAKE. That is all, sir.

Mr. ROBERTS. Those ships, then, are loaned?

Mr. DRAKE. We call them chartered ships.

Mr. ROBERTS. Is there a regular charter made—

Mr. DRAKE (interposing). No, sir; there is an arrangement through correspondence that the ships shall be placed in our service. At first we did pay charter hire for the *Panama* and *Colon*; but

later on, in consideration of fixing an extremely low rate for carrying cement on the *Ancon* and *Cristobal*, that we arrived at by deducting from actual cost the amounts we were then paying for charter interest and depreciation, it was thought best for our service to operate them without direct charter hire, because it was taking money out of one pocket of the Government and putting it in another. The only two ships the Government owns to-day are the *Allianca* and the *Advance*. They were originally built for the Brazilian line and ran to Rio and Montevideo under the old Huntington ownership.

Mr. TALBOTT. Are they still good vessels?

Mr. DRAKE. Yes, sir; considering their years, they are as good vessels as go out of the port of New York.

Mr. TALBOTT. Of about 6,000 tons displacement?

Mr. DRAKE. No, sir; they are smaller. The *Panama* and *Colon* are 6,000 tons gross. The *Allianca* is 3,600 and the *Advance* 2,750 tons.

Mr. TALBOTT. Could they be used to advantage in the South American trade?

Mr. DRAKE. Yes; they were built for that trade.

Mr. WILLIAMS. How extensive is the trade that you now conduct direct with Panama?

Mr. DRAKE. We handle across the railroad, in connection with some 12 lines from Europe and 6 or 7 lines on the other side, about 1,250,000 tons.

Mr. WILLIAMS. Could that be increased by increasing the number of ships and extending their destination to the west-coast ports of South America?

Mr. DRAKE. Will you give me a little latitude in answering that question?

Mr. TALBOTT. Yes; we want all the information you have to give us.

Mr. DRAKE. I will have to strike at the meat of the thing to answer it that way I would like to. The American mercantile community has something to learn in dealing with South American and Latin American countries. My relations have been very intimate with them for a great many years, and the one thing that has impressed me has been the fact that we have been very negligent and very indifferent as a nation in absorbing the information given to us by our consuls, which has been poured into us continuously. In my relations with the people I have learned that they want our trade. They want to do business with us. They prefer to do business with us rather than with Europe, but we do not give them the facilities. We have neither the banking facilities nor up to now has the American merchant been willing to do what they want done there or to give them the credit. Now, I must illustrate that: An American commercial salesman will go there and will lay an article down as the best thing of its kind made in the world, made by Americans, and will say, "It is put up in this way and our terms are so and so, payable 30 or 60 or 90 days, and if you want them take them; if not, leave them alone, because we have plenty of customers." On the other hand, the French, English, and particularly the German, gets in touch with them.

They go down there or send a son down there to be employed by the planter or by the manufacturing concern and he gradually advances money on the crop to be marketed, or the crop to come.

By degrees his interest and knowledge are increased, and in a short time, instead of being a clerk, he is a junior partner and the business is developed; the credit of the concern is increased, and instead of getting a credit of three or six or nine months, they get a credit of 12 months or 24 months; and if, at the end of 12 months they can not pay their debt, if they continue to trade and their business is good, they allow the debt to remain and be increased upon the payment of interest upon the indebtedness. They are in touch with the business all the time, and credit as we know it here is not the same thing down there. If a man gets into trouble down there his father and mother and uncles and aunts turn to and help him out, the way the Chinese do. They have learned in Europe that they do not run a very serious risk in giving credit to people who have products. Now, I come down to the main point in answer to your question. The Latin-American countries have got products to sell in payment for the manufactured goods we have to sell them. They do not want to pay in money, because they have not the money. They want to pay in products and develop the business.

Mr. ROBERTS. Pardon me for asking a question right there. That means then that the manufacturer in Europe or in this country must have facilities for disposing of their product?

Mr. DRAKE. Yes, sir; must have a market for their product.

Mr. ROBERTS. In other words, he becomes their selling agent and get his money through the sale of their products?

Mr. DRAKE. Yes. Mr. Garland, who was the representative for a good many years of the Peruvian Government to the Columbian celebration in this country, said to me: "Mr. Drake, until the American people learn that we want to do business with them, but to pay for the goods manufactured with our products, we can not do any business with them the way we do business with Europe." That is the secret of the whole proposition. We have got to get banking credits down there and solicit their business.

Mr. WILLIAMS. Mr. Drake, my question embodied also the prospects there of building up the trade, whether the prospects are favorable for extension of the trade through increasing the facilities for transportation and extending the destination to the east and west ports of South America. Please give us your opinion about that.

Mr. TALBOTT. And include also the volume of business done by the other nations and our nation with those ports, so that we can make a comparison.

Mr. DRAKE. I get that information principally from reading the record of what comes before your committee. I have a recollection of seeing a statement that the traffic of all of South America amounted to something like \$2,000,000,000 last year, out of which the United States of America participated to the extent of about \$1,000,000,000.

Mr. ROBERTS. We do not get half of it.

Mr. DRAKE. I do not think so either.

Mr. ROBERTS. Oh, not near that much.

Mr. DRAKE. I do not know. I am not so familiar with the business to the east coast of South America. I think the expectation of the committee and the public is that any increase we could make in our traffic would be at the expense of European traffic. We would divert to American markets the business that has been done by Europe, and

of course in order to do so we have got to increase our means of communication and our credit system with those countries.

Mr. ROBERTS. The banking facilities are being arranged for now, are they not?

Mr. DRAKE. I understand that very large banking interests in all of the financial centers are dealing with that question.

Mr. ROBERTS. Do you know just how widely diffused those banking arrangements are on the South American end?

Mr. DRAKE. No. Of course, conditions are just as much disturbed there by existing war conditions as they are here, or even more so, and business is practically suspended.

Mr. ROBERTS. I am led to ask that question by a statement I saw in the paper the other day that Mr. Vanderlip, of the National City Bank of New York, was now making arrangements for branch banks in South America, but I do not think the article stated just what banks.

Mr. DRAKE. I heard only last night that the City Bank, the International Banking Co., and a number of large banking concerns were working together with a view to establishing branches in the different South American ports.

Mr. ROBERTS. Are you familiar enough with the trade of South America to have an opinion as to whether the best prospects are on the east or the west coast?

Mr. DRAKE. The largest volume is on the east coast. I brought with me a brief description of all the ports on the west coast, and the character of business that has been done with them. It is expected that all of that business will be developed. Of course, the foreign interests located there pooh-pooh the idea of our being able to develop it any more than they have done. They indicate that there is not enough business there, but I have always maintained that a possible littoral from Valparaiso to Seattle is the El Dorado of the traffic world. It is undeveloped, and as I have said before in the committee here, it has never maintained more than 7,000,000 to 10,000,000 people, and is capable of maintaining 100,000,000 people. The difficulty has been lack of communication, lack of credit, and lack of development.

Mr. STEPHENS. Mr. Drake, you say you have with you a description of those ports?

Mr. DRAKE. Yes; just before we came here one of our special agents who has been on the coast there many years came to the office and we secured from him a description of all the Pacific coast ports from San Francisco to Valparaiso.

Mr. STEPHENS. Is that a published document?

Mr. DRAKE. No; but everything I have is at the service of the committee.

Mr. STEPHENS. As it is not a published document I would like to have that made a part of the hearings.

(The paper referred to is as follows:)

MEXICO.

Mazatlan.—An open roadstead. Cargo lightered to and from port; about a mile and one-half between town and anchorage. Shipments for San Francisco are hides and chick-peas. Chick-peas and hides will probably be routed to New York and Europe via the canal.

San Blas.—Open roadstead with less protection than Mazatlan. Anchorage about $1\frac{1}{2}$ miles from shore.

Manzanillo.—An artificial harbor. Railway connection with the interior. Hides, skins, and rice.

Acapulco.—Well protected, landlocked harbor. Anchorage about 1 mile from shore; has been used as coaling station by all lines. The main exports are limes for San Francisco and alligator skins.

Salina Cruz.—The Pacific terminus of the Tehuantepec Railroad. Artificial harbor, with piers to which steamers can go alongside.

San Benito.—Closed.

GUATEMALA.

Ocos.—Open roadstead. Anchorage about a mile from shore. Exports coffee, hides, rubber, deerskins. Connected by railroad with the interior.

Champerico.—Largest coffee port on the coast. Open roadstead. Anchorage about a mile from shore. Exports coffee, hides, rubber, deerskins.

San Jose de Guatamala.—Open roadstead. Anchorage about a mile from shore. One of the terminals of the Interoceanic Railroad, the other being Puerto Barrios on the Atlantic. Exports coffee, hides, rubber, and deerskins.

SALVADOR.

Acajutla.—Open roadstead. Anchorage about a mile from shore. The main port of Salvador and the Pacific terminus of the Salvador Railway. The main exports are coffee and hides.

La Libertad.—Open roadstead. Anchorage about a mile from shore. No railroad connection. Exports coffee.

La Union.—Is a well-protected port with smooth anchorage, about a half mile from the shore. It is proposed to erect a pier in connection with the railroad from San Miguel. This is a coffee-growing district.

HONDURAS.

Amapala.—A smooth port, with no railroad connection with the interior, cargo having to be lightered to the cart road for Tegucigalpa. Anchorage about one-fourth of a mile in smooth, landlocked harbor. Shipments from here are hardwoods, minerals, hides, and skins.

NICARAGUA.

Corinto.—Excellent harbor. Ships go alongside pier. The exports are coffee, hardwoods, hides, and deerskins.

San Juan del Sur.—Open roadstead. Anchorage about 1 mile from shore. Exports are coffee in small quantities and hardwoods.

COSTA RICA.

Punta Arenas.—This is the Pacific terminal of the Interoceanic Railroad, the other terminal being Port Limon. The shipments consist almost entirely of hardwoods, with small quantities of coffee, the bulk of the coffee going via Port Limon.

COLOMBIA.

Buenaventura.—Anchorage about 30 miles up a river in smooth water but with a strong current. It is connected with the interior by a railroad. Shipments are coffee, cocoa, hides, rubber, and tagua nuts.

Tumaco.—Landlocked harbor, but only ships of light draft can cross the bar, which is usually done in medium to high tide. Main shipments are tagua nuts, hides, rubber, and skins. No railroad connection with the interior, cargo coming in small steamers down the river.

ECUADOR.

Esmeraldas.—Anchorage about 2 miles from the shore in rather rough water. No railroad connection. Tagua nuts and rubber are only shipments.

Bahia de Caraquez.—Anchorage in rough water about 2 miles from shore. Railroad runs to the interior. Shipments are cocoa and ivory nuts.

Manta.—Anchorage less than a mile from shore. Railroad connection with the interior. The bay is generally smooth. This is the largest tagua port in the world. Small quantities of cocoa and ivory nuts are also shipped.

Machilla, Cayo, Manglaralto, and Ballenita.—Small tagua ports. Open roadstead. Anchorage about one-half mile out. Cargo usually gets wet being put on board.

Puerto Bolívar.—Good harbor. Steamers of light draft can go alongside pier. Short railroad to the interior. Exports are cocoa and tagua.

Guayaquil.—About 60 miles up the Guayas River. Smooth anchorage with strong current. Has population about 75,000; connected by rail with Quito. Shipments are mainly cocoa, with small quantities of tagua, rubber, hides, and skins.

PERU.

Payta.—At the commencement of the rainless district. Smooth harbor. Anchorage about a quarter of a mile from shore. Principal shipments are cotton produced in the interior by irrigation. Goatskins and charcoal are the only other shipments from this port. Charcoal is usually sent to other Peruvian and Chilean ports. Is connected with Piura by rail.

Eten.—Rough anchorage about 1½ miles from shore. Connected with the interior by railroad. Principal export is sugar.

Pacasmayo.—Anchorage about 1½ miles from shore in the surf. Main export sugar. Railroad connection with the interior.

Huanchaco.—Small sugar port. Rough anchorage about 1 mile from shore.

Salaverry.—The largest sugar port in Peru. Anchorage about a half mile from shore in rough water. Has railroad connection with the interior.

Chimbote, Samanco, Casma, Huarmey, Supe, and Huacho.—All rough ports, the only export being sugar. There is a railroad connection with the interior from each one.

Callao.—An artificial harbor. Steamers of large capacity can go alongside wharf. This is the port of Lima, the capital, which is within 25 minutes' train ride of the port. The main exports are minerals, principally copper, silver, and bars.

Cerro Azul and Tambo de Mora.—Both are small sugar ports, with surf anchorage about 1½ miles from shore.

Pisco.—Comparatively smooth. Anchorage about 1 mile from shore. Principal exports are cotton and raisins.

Lomas and Chala.—Surf ports from which cattle are shipped to Callao.

Mollendo.—Rough anchorage and dangerous landing. This has been the port through which Bolivian cargo passes inward and outward. Railroad connection through to La Paz, but partly by steamer through Lake Titicaca. Principal exports are cotton, alpaca wool, hides, skins, and rubber.

Plo.—Small cattle port. Rough anchorage about a mile from shore.

CHILE.

Arica.—Good anchorage less than quarter of a mile from shore. Connected by rail with La Paz, Bolivia. Shipments, minerals and cotton, mainly to Europe; vegetables, to the nitrate region of Chile.

Pisagua.—Surf anchorage about a half mile from the shore. Nitrate and iodine are only shipments.

Iquique.—Anchorage about a quarter of a mile from shore; fairly smooth water. This is a large city; the main nitrate port of Chile; there is very little else shipped from here.

Tocopilla and Gatico.—Both small nitrate ports. Anchorage rough, about one-half mile from the shore.

Antofagasta.—This is a large port. The shipments from here are nitrate and minerals. Anchorage very rough, about 1 mile from shore.

Taltal and Chanaral.—Comparatively smooth. Anchorage about one-half mile from shore. Shipments, mainly mineral.

Caldera.—Smooth anchorage very close to shore. Shipments are silver and copper ore.

Muñoz.—Anchorage. Open roadstead. Not very rough. There is very little shipped except grapes.

Cochabato.—Smooth harbor. Anchorage very close to shore. This is a great mineral port, and large quantities of copper are shipped from the smelters close by. Vegetables and fruits are shipped north and south to the Chilean coast.

Valparaiso.—The principal port of Chile; is connected with Santiago, the capital, and is the Pacific terminus of the Trans-Andean Railroad. Shipments are cattle, flour, fruits, and vegetables to the northern ports of Chile, where nothing is produced. Anchorage about half a mile from shore, but steamers go alongside the small wharf, which is not able to accommodate more than one or two steamers. An artificial harbor is in course of construction.

Mr. ROBERTS. Just what is the nature of the description of those ports? What is the underlying idea?

Mr. DRAKE. If the committee were going to recommend that ships be bought right away to serve those ports, the character of the ports would have to be taken into consideration in connection with the kind of ships to buy. Most of the business is delivered by the ships in open roadsteads to lighters, and very often dumped overboard in stormy conditions. Very few of them have wharf accommodations.

Mr. ROSSBOROM. There are only about two ports on the Pacific coast that are not open roadsteads, and the ships have to anchor off about a mile and a half from the shore and in many instances in the surf. At one port—I believe it is San Blas, on the Mexican coast—we hear that it is the practice of the launchmen to bless themselves before starting to cross the bar, because of the fear that they might not reach shore alive.

Mr. DRAKE. The importance of that information is in connection with the type of ships to be acquired for that service. There is not a port in South America, on either the east or west coast, that a ship drawing more than 23½ feet can enter, except, perhaps, the port of Rio, for a short distance up the harbor, and there a ship drawing 30 feet can go to an anchorage; but all the ships engaged in the South American service now are of a peculiar type. They are broad in beam and light in draft, and in acquiring any ships with a view to developing that service that thought should be borne in mind.

Mr. ROBERTS. If we are to get any of the west coast South American trade, our shippers must bear in mind the conditions as to landing the shipment and must put everything in water-tight packages.

Mr. DRAKE. I could have gone on a little while ago and stated, when referring to the effort the European merchant made to get the business, that they send people down there to learn how they want the goods put up. If you are familiar with white goods manufactured here you know that we put up bolts of 42 yards, and in cases weighing two or three hundred pounds, and made very flimsy, so flimsy that when they are dumped on our docks at New York we often have to recover them. That is the way we offer our goods and deliver and sell them. On the other side they send people down there and find out how they want them, and pack them in bolts of 14 to 19 yards, and in cases of 150 pounds, thoroughly sealed, coopered, and strapped, so that they can be put on mule back and carried into the interior, where almost all the manufactured goods are carried. We will have to learn that before we can get the business.

Mr. STEPHENS. Do they pack the dry goods and other merchandise in cases like those in which Swedish matches come to this country?

Mr. DRAKE. Yes, sir; everything they furnish. And another phase that we want to bear in mind is the thought that the German salesman will go down there and take an order for Sheffield cutlery or

Singer sewing machines or harvester or agricultural implements and deliver them, made in Germany, and will take any order that a purchaser will give them down there. That is another feature of their enterprise that is very interesting to the American merchant, which he would have to combat.

Mr. ROBERTS. In other words, he must have several lines?

Mr. DRAKE. Yes.

Mr. STEPHENS. Does the German shipper repack the American goods for that market?

Mr. DRAKE. No, sir; he makes and marks them.

Mr. ROBERTS. If I gather the idea there, Mr. Drake, the German shipper is fooling the South American people?

Mr. DRAKE. That is practically right. He is looking for business, and is going to get it, and that is what the American merchant would have to compete with. He is willing to do that if he can put it over, as they say; but the main point in successfully developing business down there is to foster the development of credit and to purchase the right type of ship.

Mr. STEPHENS. And to give them the goods as they desire them?

Mr. DRAKE. Yes, sir; that is important.

Mr. ROBERTS. Mr. Drake, I am interested in another phase of this question. On the west coast of South America you state the goods must be lightered through the surf?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. That means, of course, if any concern or if the Government or if your railroad desired to build up a trade there you must have on the shore some storage facilities?

Mr. DRAKE. No; everything at those west-coast ports is delivered through the customhouses. Cargo has to be shipped from here accompanied with what is called a "sobordo," a Spanish manifest, certified by the consul of the country to which the goods are destined. All of those countries are very rigid in the enforcement of their customs regulations and the penalties are very severe. The goods must be exactly as stated in the sobordo as to number, quality, value, and character. They are all delivered to the customs agent, who in turn collects the duties and delivers them to the consignees. But every important merchant here would have to have his representative in those ports to attend to collections and verification of the delivery of cargo.

Mr. STEPHENS. A private warehouse would not be needed by the shipper?

Mr. DRAKE. No, sir.

Mr. ROBERTS. How would it be on the east coast in that respect?

Mr. DRAKE. As I said, I am not so familiar with that coast. They deal in heavy, bulky products like coffee and cattle, and I have had no experience along that line, but I assume there is no marked difference.

Mr. ROBERTS. Would you think, Mr. Drake, that we could build up a trade with any South American points by sending fast mail ships down there that could carry at the outside 20 male passengers, as distinguished from female passengers, and at the maximum could carry 200 tons of small-package freight, including mails?

Mr. DRAKE. Oh, no, sir. The cost of operating a ship goes up very, very rapidly as her speed capacity increases. A ship constituted for

that business should be a ship not to exceed ten or twelve thousand tons gross, capable of carrying 7,500 tons of cargo, and with passenger accommodations for about 150, and with a 15-knot speed, or what we call a maintained speed of 14 knots running speed, day or night. Not to exceed a 15-knot ship would be the only ship that could be operated to advantage.

Mr. ROBERTS. How about her passenger capacity?

Mr. DRAKE. That would be according to her size and be between 150 or 200. I have here a description of all our ships, the type and the number of passengers they are permitted to carry under the law, and the number they actually carry.

Mr. ROBERTS. Do you know whether any of the European ships plying to eastern South American ports and equipped for four or five hundred passengers run to capacity?

Mr. DRAKE. They regulate their schedule to the traffic.

Mr. ROBERTS. I mean as to the number of people. Do they carry all the passengers they have accommodation for?

Mr. DRAKE. Yes; they do a good passenger business, because the ships from Europe run to Montevideo and then around the Horn and then up on the west coast. There are a number of different lines, but the principal line is the Pacific Steam Navigation Co., the control of which has recently been acquired by the Royal Mail Steam Packet Co. Both of them have been connected with us for a great many years.

Mr. WILLIAMS. With the opening of the canal, will not they divert their course and go through the canal?

Mr. DRAKE. They expect to; but that has to do with passengers. All those lines have branch lines from New York, and therefore any line that the Government establishes would have to compete with those lines, but the advantage of a Government line is demonstrated by what the Panama Railroad Steamship Line has been able to do in the past. We have actually prevented discrimination against the American merchant and against the American markets by compelling a parity of rates through our traffic agreements, and threatening to refuse to continue our traffic agreements with our European steamship connections unless they consented on behalf of the steamship lines on the Pacific Ocean that they controlled to allow us to reduce rates between the United States and the west coast to the level of those to and from Europe. That was done, not in contravention of interstate-commerce regulations, but at a time when there were complaints made by American shippers that the steamship lines connecting with us from Europe were giving lower rates to shippers in Europe than they were giving here.

Mr. WILLIAMS. Have you observed as yet any difference in that traffic?

Mr. DRAKE. No, sir.

Mr. WILLIAMS. You think the war has not affected that traffic?

Mr. DRAKE. Oh, yes; it is diverted. For instance, the branch lines running out of New York under foreign flags are practically discontinued.

Mr. WILLIAMS. Then, for the present, if we have a line of ships operating, we have a monopoly of the trade?

Mr. DRAKE. Yes; except as to the guaranty of Great Britain that the operation of ships at sea shall be safe. There is another phase

to that. It is generally understood to-day that our grain is rotting on the docks because there are no ships to carry it to the other side. We have plenty of ships, but people are not sure about the grain exchanges.

Mr. ROBERTS. I am glad to have you bring that out, because I have had that statement made to me many times.

Mr. DRAKE. They can not sell it.

Mr. ROBERTS. It is not a lack of bottoms to carry our products abroad, but it is a lack of banking and business arrangements and lack of commercial arrangements.

Mr. DRAKE. On account of the war risk. The assurance that the transit is safe is generally accepted; and with the Government guaranty of war risk, it would appear that they could make banking arrangements. The stories that are told by tourists abroad about shaking all kinds of money in other people's faces and not being able to get their securities are absolutely true.

Mr. WILLIAMS. But that is not true of South America.

Mr. DRAKE. Oh, no.

Mr. WILLIAMS. Now, I speak about having a monopoly in South American trade.

Mr. DRAKE. The United Fruit Co., which has quite a large trade, is operating under the British flag. The Royal Mail Steam Packet Co. is also operating under the British flag. The Atlas, which is a branch of the Hamburg-American Line, is operating under the German flag. Now, the Germans have discontinued their service. Their ships are now expensive property, because a ship eats its head off very rapidly when it is laid up, and I read in the papers that the German ships are for sale.

Mr. ROBERTS. Do you know of any German ships in American ports that would be suitable for South American trade?

Mr. DRAKE. If we took their word for it, all of them would be. But I urge great discretion in all purchases of ships. I urge that no ship should be bought unless it is definitely established that it is suitable for the purposes for which it is to be purchased.

Mr. TALBOTT. Could we build vessels suitable for that trade that could be converted into naval auxiliaries in time of war?

Mr. DRAKE. Oh, yes. If you do not mind me expressing my opinion, I think that any ships that are built or operated through the Panama Railroad Co. or any similar corporation would be sufficient, and I do not see the need of any other corporation when we have one right at hand.

Mr. TALBOTT. If we were to get in there in a reasonable length of time, we would not be able to pick up much of the English trade, but we would be able to pick up most of the German and French trade.

Mr. DRAKE. I can answer you in the words of Mr. Sanderson, the New York agent of the Royal Mail and Pacific Steamship Cos., when he said that he was not getting any business now; that notwithstanding the ships were there to carry the business, notwithstanding the protection of the British Admiralty's guaranty, the business was going by way of the Chilean and Peruvian lines, which, while they are national lines, are wholly inadequate. They operate to Balboa, and they are going to operate through the canal to Colon.

Mr. ROBERTS. I want to get your idea, first, as to the feasibility,

and, second, as to the desirability of having whatever ships that might be built or purchased and turned over to the Panama Railroad Co. officered and manned by naval officers and naval seamen?

Mr. DRAKE. Well, I have always maintained in my relationship with the Government the necessity for operating in a commercial way. There is a marked distinction between Government operation and commercial operation. It has been frequently necessary for the Panama Railroad Co. to do things that the Government would not do. People would deal with them; they would contract with the Panama Railroad Co. but they would not sell to or contract with the Isthmian Canal Commission or with the Government. All this has a bearing on your question, Mr. Roberts. It might be necessary to have navigating officers, because of the scarcity of those officers, taken from the Navy. As to the practical handling of the cargo, the commanders are responsible for the cargo and its outcome; they have to take charge of it and observe the character and quality and condition of it.

Mr. ROBERTS. I think perhaps, Mr. Drake, my question was a little too broad. I did not mean to convey the idea that every person on board the ship should be a member of the Navy. I had in mind the deck force and the fireroom force, and so forth, those men who were directly engaged in the navigating of the ship, not the messmen and longshoremen.

Mr. DRAKE. I urge that only the commander and chief engineer of the ship be retired naval officers. I would not carry it any further.

Mr. ROBERTS. I want to ask you a question on this point. The maritime officer must have a certificate?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. A master's certificate or mate's certificate, or whatever it may be.

Mr. DRAKE. A master's certificate.

Mr. ROBERTS. Would a retired naval officer, if you want to employ him on one of your present ships, be required to produce such a certificate?

Mr. DRAKE. I will answer that by saying that the ship being the property of the Government, as I assume it would be, if it was turned over to us or to any other corporation to operate it, it could be made a condition of the charter that the commander and chief engineer of the ship went with the ship. That would be a condition in the charter.

Mr. WILLIAMS. I wish you would state right there in that connection the reason why you would recommend that the commander and chief engineer should be naval officers.

Mr. DRAKE. Oh, I did not recommend that, but I think that if the ship was turned over it should be operated by the same commander and chief engineer. I am only operating six ships, but we have a regular set of rules for their operation, and one of our rules is that everybody on board the ship and in every department of the ship must be satisfied with the commander. Now, a naval commander put in command of a commercial ship would know about as much about it as I would know about preaching, and he would have to have experience in order to gain that knowledge he lacked. With a competent deck force under him, a first, second, and third deck officer and a competent deck staff under him he would very quickly acquire all the knowledge that he would need to operate it.

Mr. STEPHENS. Having in view the difficulty and confusion that would result from a ship being officered and manned to a considerable extent by Navy people, which is the cheaper in dollars and cents, a vessel thus operated or one operated entirely as you operate your vessels—by civilians?

Mr. DRAKE. I do not know what salary the man would be paid. If they were detailed to us, they would have to take the same relative salary as the men receive in our service.

Mr. STEPHENS. Well, suppose they took the pay that their rank commands as naval officers.

Mr. DRAKE. Well, I would have to make a table of that. There is a law against officers receiving two salaries. We had to have a special law in regard to the members of the Panama Canal Commission.

Mr. ROBERTS. That is because it was a special commission, but if they were officers of the Panama Railroad Co. they would be officers of a private corporation.

Mr. DRAKE. Well, the fundamental law would apply there. Being retired officers they could receive a secondary compensation.

Mr. ROBERTS. I do not know whether you could tell us what naval rank would be appropriate for commander of one of your ships.

Mr. DRAKE. No; I do not know that.

Mr. ROBERTS. As I understand it, the captains of your ships get \$150 a month.

Mr. DRAKE. Two hundred dollars a month and a bonus for their expenses. It is really \$2,700 a year, and they have port pay when they are in port in lieu of feed.

Mr. TALBOTT. Now, Mr. Drake, what additional number of vessels ought we to have to develop trade with South American coast ports and what ought to be their terminals in the United States and on the South American coast?

Mr. DRAKE. All that any ships that we would put into the service now would find to do would be to move the cargoes that are to be moved. The business would have to be built up for the American market under the conditions I have referred to earlier. The trade is not there to pick up. Take, for instance, W. R. Grace & Co. They are operating a merchant line under the British flag. They are operating as merchants, and they operate as agents for the consumer in buying the goods for him, giving him credit for them and delivering them to him. So that they are the Poo Bah really of almost all of the ports on the western coast. That illustrates what is necessary to do to secure the business down there. If the Government was to buy one or more ships and put them under the Panama Railroad Co. now, to be operated by the Panama Railroad Co., we would have to go out and canvass for business for those ships. Most of the business originates from orders down there, and somebody would have to be down there drumming up the trade.

Mr. STEPHENS. I would like to have you answer one question that may take you some time to answer. If you were given carte blanche to build up a trade between the United States and South American ports on both the east and west coasts, how would you go about it?

Mr. DRAKE. If I had the ships to-day they would lay up as the other ships are doing, except to move the cargoes that are ready to

be moved. The machinery would have to be put in operation to advertise the business down there and to spread the information to the people down there who are now in blissful ignorance of anything except of what we have told them. We would have to communicate with those companies down there and we would have to make it generally known that we were going to extend banking facilities and furnish transportation for them, and then the business would gradually grow. We would have to have agents down there to canvass at that end and we would have to canvass for business at this end, and we would have to generally cement our relations, which we have got to do sooner or later. That is really our property down there, and we have been neglecting it for a good many years.

Mr. STEPHENS. Then you believe the trade is there?

Mr. DRAKE. Yes, sir.

Mr. STEPHENS. And we can get it with proper facilities?

Mr. DRAKE. Yes, sir.

Mr. STEPHENS. If you were told to go after it, would you construct or at once buy a number of vessels?

Mr. DRAKE. No; I would buy some vessels, as they were needed, and I would charter others, and then I would build ships of an appropriate type later to meet the increasing demands.

Mr. WILLIAMS. If you could buy suitable ships, why would you not buy them?

Mr. DRAKE. I would not buy anything else.

Mr. WILLIAMS. But if you could buy them at reasonable prices, would you buy them?

Mr. DRAKE. Yes, sir; but I do not think there are many available except those that are now under foreign flags.

Mr. GERRY. In other words, you would have to build up a demand before you got the ships?

Mr. DRAKE. Yes, sir.

Mr. GERRY. There is no demand now?

Mr. DRAKE. Except for the cargoes that are moving from here. For instance, you see in the newspapers, as I have seen, that they are in need of manufactured goods in South America; and that is true, because it is a great market for manufactured goods, and heretofore they have been getting their manufactured goods from Europe, and if we can show an inclination and prove that we have the means to furnish them with those manufactured goods, we will get the trade.

Mr. GERRY. Then, at the present time there is a demand?

Mr. DRAKE. In that way; yes.

Mr. TALBOTT. Would you put on immediately two or three more vessels and advertise in New York for the benefit of the manufacturers?

Mr. DRAKE. I do not think what is aimed at can be accomplished without a start being made for it, and that is the best way to make a start. I do not think, however, that the Panama Railroad Co. should be called upon to bear the brunt of this experiment, although we have been very successful in the last year, having made \$2,250,000 over and above all expenses.

Mr. ROBERTS. What do you think of the proposition of starting immediately upon the construction of a fleet of not less than 12 and

not exceeding 20 vessels designed for South American trade and also designed for naval auxiliaries in time of war?

Mr. DRAKE. I strongly advocate it, sir. I am strongly in favor of it, and the only question is a technical one, and that is that the type of vessel needed for South American service might not be suitable for use as an auxiliary. In other words, it would not have draft enough. It might be built so that it could be operated at $23\frac{1}{2}$ feet and susceptible of going to a much deeper draft.

Mr. ROBERTS. As I understand it, $23\frac{1}{2}$ feet is the maximum draft for South American trade?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. My impression is that, except for some of our colliers, we have no auxiliaries that draw any more than $23\frac{1}{2}$ feet, and I should say that that would be ample for all auxiliary purposes.

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Then, of course, it takes time to build the ships.

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. The interval could be utilized in making large trade connections and doing your advertising work and getting your business ready to put into your ships when the ships were ready.

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. If you do not have enough business to utilize all of your ships you can still use the ships as naval auxiliaries.

Mr. DRAKE. Yes. You understand that this is a large proposition.

Mr. ROBERTS. Oh, yes; it is a large proposition. We realize that the more we go into it. Now, I want to ask you in regard to some of the details of the steamship end of the Panama Railroad Co. Before I do that I want to call your attention to this fact: You stated that you did not think the Panama Railroad Co. should be saddled with the possibility of loss. Of course, that would be cared for by the Government. It would not be the policy of this committee to allow the Panama Railroad Co. to stand in the breach—

Mr. DRAKE (interposing). Let me say right there, Mr. Roberts, that, of course, the Panama Railroad Co. is a Government property and whatever would be the result would be the Government's profit or loss, as the case may be, but if it is to be operated privately it should not take the risk of that loss.

Mr. ROBERTS. I think the opinion of most of the committee is that a Government-owned line of South American ships would operate at a loss for three or four years, perhaps for a number of years, before it becomes profitable.

Mr. DRAKE. I do not think that would be entirely the case. The business is there. It is a gold mine from Panama to Tierra del Fuego. They are a tremendously long voyage away from Europe, while we are right next door to them.

Mr. STEPHENS. Mr. Drake, if you were told to start a line of ships to South America with a view to the development of trade, would you use the vessels of the Navy in the commencement of that trade, as has been proposed?

Mr. DRAKE. I would like to answer that question, but I do not like to say anything that would make the Navy feel sore about it, because I am speaking from a practical standpoint and they are speaking from the naval standpoint. Naval auxiliaries are built for speed;

a large part of their space is taken up in officers' quarters, and they could not carry enough cargo.

Mr. TALBOTT. They say, Mr. Drake, that they could carry 200 tons of cargo, 50 tons of which would be mail and 150 would be freight.

Mr. DRAKE. One of our ships, making 14 knots, carries 10,000 tons cargo and burns from 90 to 100 tons of coal a day. I do not know of a Navy ship that would carry more than 5,000 tons, and they would all have to burn coal to make that speed, from 150 to 250 tons of coal a day. They would eat their heads off. I have a record here of the personnel of a Government operated ship. The Government has made an appropriation of \$2,000,000 to build two naval colliers, and the Navy Department figured on a personnel of 145. I have cut down that personnel from 145 to 101.

Mr. ROBERTS. Have you those figures with you?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Put them in the record. Is that a comparison between these two naval auxiliaries that you speak of?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Between what they would cost if operated by the Navy Department and what they would cost if operated by the Panama Railroad Co.?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Does your statement or comparison go into the wage side of the question?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. That is exactly what we wanted.

Mr. STEPHENS. Mr. Drake, this committee is not disposed against the Navy at all.

Mr. DRAKE. Nor I either.

Mr. STEPHENS. We favor it, but we want to do this thing in as practical a manner as possible.

Mr. DRAKE. Oh, yes. I am not opposed to the development of any department.

Mr. ROBERTS. Mr. Drake, I want to ask you about terminal facilities in New York. The Panama Railroad Co. has some terminals up there?

Mr. DRAKE. Yes, sir. It is a very interesting topic and one that the committee should give some thought to.

Mr. ROBERTS. Do you own your terminals?

Mr. DRAKE. No.

Mr. ROBERTS. I wish you would go into that question, because it is a very important feature of the steamship line.

Mr. DRAKE. When the Government bought the Panama Steamship Line the company only had one dock in New York. It had a leasehold, which it had just sold to the Erie Railroad Co., and occupied it as a subtenant of the Erie Railroad. As the business developed, we found it necessary to get another dock and we found it practically impossible to do it. It was necessary for the Government to intervene with the municipality of the city of New York to put pressure upon the Southern Pacific Co. to release one of the five Chelsea docks that it had, under a blanket lease from the city.

We are now using Pier 67 as a subtenant of the Erie road and Pier 52, as a subtenant of the Southern Pacific. The extended lease

of Pier 52 expires by limitation next January, and our tenure of Pier 67 rests upon the caprice of the dock commissioner, who can rescind it at any time when the plan for the improvement of docks in that part of the city makes this necessary. Of course we have always foreseen that there will be a demand, and we have been looking ahead. Previous to the securing of Pier 52 we tried to operate some of our steamers from the Jersey side, but we could not effectively compete with foreign lines whose wharves were located on the New York side. A proposition has been worked up and is now on file in the office of the War Department, in the Quartermaster's Department, for a large water front on the Hoboken shore, which was bought by a Chicago corporation and occupied by us temporarily. The sign "Panama Steamship Line" is still there. It has connection with the railroads running into the interior. There is an option on it the taking over of which the owners are particularly anxious to foster. They wanted to make it a Government terminal, and, strangely enough, they have held it for some time with the idea that the Government might take it over as a Government terminal.

Now, to answer your question specifically, it would be necessary for the Government to commandeer the water front in New York Harbor. As to the other ports, I do not know.

Mr. TALBOTT. To what other ports do you think we would send ships?

Mr. DRAKE. There has been a rather strong demand from New Orleans, Charleston, Philadelphia, and Boston to be considered in this arrangement. They say that if the Government operates a line of ships out of New York they should extend branches of that line to these other ports. There was a demand made on the War Department that that should be done, and the demand became so strenuous that finally the Secretary of War issued an order that whenever I was satisfied that a service could be made profitable to any of these other ports I could extend a branch line of the Panama Railroad to that port. So far circumstances have not warranted such action. The mayor of Charleston, the collector of the port, a number of general managers of various railroads and several representatives of leading concerns of Charleston came up here and banqueted the President and the Secretary of War, and when we went to Charleston they invited me to a banquet, but they never could give me any satisfactory guaranty that there would be enough business to warrant the extension of a branch line to Charleston for the purpose of carrying cargoes to the Isthmus.

Mr. ROBERTS. Would it pay, for your vessels leaving New York, if they did not have a full cargo, to touch at any of these ports?

Mr. DRAKE. No, sir.

Mr. ROBERTS. What would be the effect if you were to give up your New York terminal entirely and go to Philadelphia or Baltimore where you could get ample space?

Mr. DRAKE. Well, of course, I am a Bostonian, but I have the pride of the port of New York. I believe New York is the best port, because 75 per cent of our business originates around the port of New York.

Mr. ROBERTS. You are speaking of what business?

Mr. DRAKE. The regular traffic—railroad traffic to all points of North America and South America.

Mr. WILLIAMS. Under what department do you operate, to whom do you report, and to whom do you account?

Mr. DRAKE. The canal act authorized the President to appoint the Panama Canal Commission to supervise the construction of the Panama Canal and it brought under the schedule of the Panama Canal the Panama Railroad Co. The President turned the building and operation of the Panama Canal over to the Secretary of War, and we report directly to the Secretary of War.

Mr. WILLIAMS. The Secretary of War is your chief? You are operating under that department?

Mr. DRAKE. Yes, sir; absolutely. Nothing of importance is done without the approval of the Secretary of War, who is our principal shareholder.

Mr. ROBERTS. Has the city of New York any considerable dock facilities in public ownership?

Mr. DRAKE. There is a very small portion of the dock front owned by private individuals. Almost all of it is owned and leased out by the municipality. Nominally, all of the wharfage is public property, but it is not. Almost all of the docks are controlled by the railroads. The various dock commissioners have taken different views as to what the terminals should be, that is whether railroads or steamships should be favored, and the result is that the railroads have gotten control of almost all of the water front.

Mr. ROBERTS. Is there any proposition pending, or is there any work being done to provide additional water frontage for New York Harbor toward the line that the Fall River boats follow, going around the sound?

Mr. DRAKE. Well, very extensive work has been done to develop the port down on the Brooklyn side. The Government has extended the pier head line on the Jersey side and on the East River side. The Manhattan Island side is not subject to any further development, except on the pier heads.

Mr. ROBERTS. Along the line which you have tried to develop, could you find sufficient facilities for your steamships?

Mr. DRAKE. Well, we could find them or provide them ourselves.

Mr. ROBERTS. I would like to go into the financial end of the operation of these steamships. I understand you to say you have a description of the ships?

Mr. DRAKE. A very full description in every way.

Mr. ROBERTS. Now, you had three ships owned by the Panama Railroad Co. when the Government took it over. Will you name those ships?

Mr. ROSSBOTTOM. They were, first, the *Allianca*, a 3,900-ton ship—

Mr. ROBERTS (interposing). Does that represent displacement or cargo capacity?

Mr. DRAKE. That represents her gross tonnage.

Mr. ROBERTS. What is her cargo capacity?

Mr. ROSSBOTTOM. The *Allianca* will carry about 2,550 tons.

Mr. ROBERTS. I want to know her passenger capacity.

Mr. ROSSBOTTOM. She has a capacity for 146 cabin passengers and 40 steerage passengers.

Mr. ROBERTS. How old is she?

Mr. ROSSBOTTOM. She was built in 1883.

Mr. ROBERTS. Take up the next one.

Mr. ROSSBOTTOM. The next one is the *Advance*, of 2,605 gross tons, with a capacity for 68 cabin passengers and 24 steerage passengers.

Mr. ROBERTS. How much cargo can she carry?

Mr. ROSSBOTTOM. About 1,950 tons of cargo.

Mr. ROBERTS. What is the nature of the cargo that those ships have been carrying?

Mr. DRAKE. All kinds of manufactured goods out of New York.

Mr. ROBERTS. They have not been carrying bulk freight, like coal?

Mr. DRAKE. No, sir. They have been carrying classified cargoes and are bringing home produce.

Mr. ROBERTS. What crews do those two ships carry?

Mr. ROSSBOTTOM. The *Allianca* has 92 men and the *Advance* 68. Of course that number is increased from time to time as required to accommodate our passenger traffic and we carry a larger or smaller number as may be necessary.

Mr. DRAKE. Those are the two ships that are the property of the railroad, and the others are the property of the Government.

Mr. ROBERTS. There are four of those now, are there not?

Mr. ROSSBOTTOM. First, there are the *Colon* and *Panama*, sister ships, which were formerly the *Havana* and *Mexico*. They were purchased by the Government from the Ward Line for \$650,000 each. The gross tonnage of the *Panama* is 5,667, and she carries 183 first-cabin passengers and 13 steerage passengers.

Mr. ROBERTS. About how much cargo does she carry?

Mr. ROSSBOTTOM. Four thousand five hundred tons.

Mr. DRAKE. The *Colon* is a sister ship of the *Panama*.

Mr. ROBERTS. When were they built?

Mr. ROSSBOTTOM. They were built in 1899 by the Cramps at Philadelphia.

Mr. DRAKE. They were built for the Ward Line and were purchased from the Ward Line by the Government.

Mr. ROSSBOTTOM. The next two are the *Ancon* and the *Cristobal*, which were formerly the *Shawmut* and the *Tremont*, and were bought by the Government from the Boston Steamship Co.

Mr. DRAKE. Do you want the tonnage of those vessels?

Mr. ROBERTS. I think we have that information from the builder.

Mr. STEPHENS. I think it would be well to have it again at this time.

Mr. ROBERTS. Give us the tonnage of those ships, please.

Mr. ROSSBOTTOM. Their gross tonnage is 9,606 tons; they can accommodate 58 first-cabin passengers and 52 steerage passengers, and they will carry 11,500 tons of cargo.

Mr. DRAKE. They were built originally for freight purposes, and had limited passenger accommodations, but alterations were made in them to increase their passenger accommodations.

Mr. ROBERTS. You used them for carrying cement, did you not?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. What was the purchase price paid for them?

Mr. DRAKE. \$550,000 apiece, but then we spent \$200,000 on them, because the Government had to adapt them to the new service, so that they stand on the books at something like \$750,000 apiece.

Mr. ROBERTS. What did you have to do to them?

Mr. DRAKE. They had been officered and manned by Asiatic crews, and the quarters were very large for the accommodation of the officers and crews and we had to alter the holds, repair the boilers and machinery, install new winches and gear, and put them in condition for the carriage of heavy cargoes. We understood they had been operated at a draft of 30 feet, but on the advice of the builders we limited their draft to 28½ feet, and they have been operated in our service to their full depth. They are reserved for the carriage of bulk freight. I would like to say in this connection that they were put in our service first to carry cement alone, but, of course, they had to pay for themselves if they could do so, and, instead of having them come back empty, we gradually worked them into the line, and they have been operated on that basis and have been more than self-sustaining.

Mr. ROBERTS. Just what arrangement do you have with the Government? These are Government-owned ships.

Mr. DRAKE. The two ships, the *Panama* and *Colon*, came to us from the Isthmian Canal Commission, having been bought under the Isthmian Canal appropriation. At first they were turned over to us under a regular charter arrangement, the rate being based upon interest, hire, and depreciation, but that was modified later to conform to the arrangements made with respect to the *Shawmut* and *Tremont*, now the *Ancon* and *Cristobal*. Those ships were turned over to us to use for the carriage of cement, with the obligation only that we would make the lowest possible rate for the carriage of the cement, to maintain the ships in good order, and turn them back to the Navy Department when they were no longer needed for the transportation of cement for the canal commission. In arriving at this rate we deducted from actual cost the amount being paid for the charter of the *Panama* and *Colon*, and our only obligation in connection with these vessels is to maintain them in good condition.

Mr. ROBERTS. When you figure the expense of running those four ships, you do not charge up anything for depreciation, do you?

Mr. DRAKE. We do only on our own ships, at the rate of 6 per cent.

Mr. ROBERTS. But you do not figure that in with all the other expenses you have charged up?

Mr. DRAKE. Not the interest and depreciation. The amortization is left to the Government. If we had to pay that, under the charter we would increase the rates relatively.

Mr. ROBERTS. I want to get at the whole transaction of this thing. I understood you to say that the profits of the railroad company were over \$2,000,000?

Mr. DRAKE. That is, the railroad and its steamship line.

Mr. ROBERTS. That is derived from the ships and the railroad, too?

Mr. DRAKE. Yes, sir. The net earnings of the steamships last year amounted to about \$250,000.

Mr. ROBERTS. That is the profit, not figuring interest or depreciation?

Mr. DRAKE. Yes, sir; the profit on the four ships.

Mr. ROBERTS. How about the profits derived from the steamship line for each year you have had the ships?

Mr. DRAKE. There has been almost invariably a profit.

Mr. ROBERTS. Have you the figures of that? Do you know there has been a profit each year?

Mr. DRAKE. I can't say we had a profit every year, but the net result has been profitable ever since the Government has controlled the steamship line.

Mr. STEPHENS. If you had counted the interest and depreciation charges, would the operations then have shown a profit?

Mr. DRAKE. I think so, but I would prefer to have the figures prepared and forwarded to you.

Mr. TALBOTT. Suppose you work that out and let us have it in the record.

Mr. DRAKE. I have it here. [See Exhibit A.]

Mr. WILLIAMS. Have you another copy of this document containing the charter and amended by-laws of the Panama Railroad Co.?

Mr. DRAKE. Yes, sir.

Mr. WILLIAMS. Then I would like to have this copy of the charter and amended by-laws of the Panama Railroad Co. made a part of the record.

(The matter referred to was not furnished.)

Mr. DRAKE. I ought to mention to the committee that the reason we did not figure interest and depreciation on the Government ships was because the extraordinarily reduced rate that we made met that charge and offset it. For instance, our ships carried cement to be used in the construction of the Panama Canal at the rate of \$1.25 per ton, while we have had to pay to outside ships \$2.45 to \$3 per ton.

Mr. STEPHENS. But, notwithstanding that, is it not likely that you have paid some profit even after allowing for interest and depreciation?

Mr. DRAKE. Yes, sir; because the depreciation at 6 per cent and the interest at 3 per cent would not amount to more than \$100,000, and we have made more than that every year.

Mr. ROBERTS. You are going to turn over the *Cristobal*?

Mr. DRAKE. They have taken her temporarily to bring our people out of Europe, but we doubt if she will come back to us.

Mr. ROBERTS. They were to go to the Navy, were they not?

Mr. DRAKE. The law provided that they should be turned over to the Navy Department to be used as colliers, but when the Navy Department looked into the cost of the reconstruction necessary to be made I understood they made up their minds they did not want them as colliers. Col. Goethals, however, has ruled that they must be turned over to the Navy Department, and we will do that.

Mr. TALBOTT. They could be used as hospital ships, could they not?

Mr. DRAKE. Yes, sir; they are in good condition, except that their boilers have lived their lives, and if they were diverted to any important service within the next nine months they would have to be reboilered.

Mr. ROBERTS. If you could keep those two ships in your service, do you anticipate that they could be run at a profit?

Mr. DRAKE. Yes, sir. I would state, however, that Col. Goethals does not think so. I don't mind speaking of our divergent views on that subject. He is all canal, or for that part of it, and I am all railroad. That is just to maintain the equilibrium, you see. It is a joke between us. He has stated and has gone on record before a committee of the House to the effect that the steamship line would lose a great deal of money, and that the steamship line should be disposed of when the canal is completed. But it has not turned out

that way. When the west coast business is diverted to the direct lines, we will lose that business. When the canal is opened, we will find that the business of the west coast of South America will be carried largely by the Royal Mail and American-Hawaiian Lines. They will pay canal tolls and that is all we get out of it, unless we put in a line of our own. As one of the thoughts I jotted down here, I want to say that the tendency or disposition of the foreign lines is to advance rates or to increase rates, and the more the rates are increased the less of that South American business we will get.

A Government line would serve to regulate rates by operating at reasonable rates. I can not emphasize too much to you the fact that the Panama Railroad Steamship Line has had a great influence in keeping down rates between here and the Isthmus and the west coast of South America. In all of this time that we have been fostering trade for the Panama Railroad I have insisted that the rates should be fair and reasonable and not too remunerative. We have said to the other lines, "If you want to carry freight at higher rates we will carry it at lower rates, or at rates that will be just and fair to the line operated by the Government." With such a line we would be able to lay these goods down there and compete with them in those markets. We can compete with them, because we have the factories and we have the brains. I know we can secure the bulk of that trade if we adopt proper means.

Mr. STEPHENS. The Panama Railroad has not been a rate cutter, but rather a rate regulator?

Mr. DRAKE. Yes, sir; that is it; it has been a rate regulator.

Mr. STEPHENS. Has it ever done any business at less than cost?

Mr. DRAKE. Yes, sir; we have been carrying cement for the Government at less than cost. You understand that this is a Government line and those rates as between different branches of the Government were necessary. They were necessary in order to make the commissary operations on the Canal Zone profitable. We could not charge exorbitant rates, and, although they have always paid our tariff rates, we have adjusted the rates to the conditions. When the railroad company began the operation of that line the basic rate between New York and Colon was \$8 per ton. When the Government purchased the control of the company we reduced this rate to \$5 per ton, which we considered remunerative in view of the large amount of traffic to be handled as a result of canal construction. Later on, the lines operating steamships of foreign registry established a lower rate, because they went in a roundabout way, and considered they were entitled to a differential. We did not meet this rate at the time, because our steamers were running with full cargoes, and when this condition changed and we did meet it they complained to the War Department that the Government was establishing rates that compelled them to operate their ships at a loss. Upon that representation being made, Secretary Taft said to me, "Mr. Drake, do not make or break any rate for anybody's reasons but your own"; and that is the policy we have followed ever since. We have made whatever rates were necessary. The foreign lines would, if they could, restore the old rate of \$5 per ton to Colon and advance the rates beyond there; in fact, they have pressed upon us to increase our rates, but we see no necessity for any such action.

Mr. STEPHENS. What is the rate to Colon now?

Mr. DRAKE. The open rate is \$3.50 on rough goods. It is a classified tariff.

Mr. STEPHENS. And even with that rate your line makes a profit?

Mr. DRAKE. It costs approximately \$3.37 to handle a ton of freight to the Isthmus. Three dollars and fifty cents per ton is the lowest rate, and the average rate is something like \$4 per ton.

Mr. STEPHENS. Are any of these outside companies doing Panama business at a loss?

Mr. DRAKE. I do not know, but they are doing it at our rates.

Mr. STEPHENS. What is your opinion as to whether or not they are doing it at a loss?

Mr. DRAKE. They claim that the rates are too low and should be advanced.

Mr. STEPHENS. Do you think they can make a profit at present rates?

Mr. DRAKE. On general business; yes, sir.

Mr. GERRY. Mr. Drake, have you made any figures as to the cost of maintaining a line in the different ports, including, for example, the extra charges that would have to be met in the ports of South America in the way of lighterage, etc.?

Mr. DRAKE. I have not those figures.

Mr. ROSSBOTTOM. Practically all of the lighterage facilities on the west coast are controlled by the customs authorities, and when the cargo is delivered from the customhouses the consignee pays all those expenses.

Mr. GERRY. You would have to have agents?

Mr. DRAKE. To build up the business; yes, sir.

Mr. TALBOTT. If we established the trade, we would have to provide people to look after it.

Mr. ROSSBOTTOM. As a matter of fact, we have commercial agents in all of the ports on the west coast.

Mr. GERRY. Would the Government's commercial agents handle that?

Mr. ROSSBOTTOM. No, sir; the Panama Railroad has agents—

Mr. DRAKE (interposing). I am assuming the corporation—

Mr. ROBERTS (interposing). Would have representatives in all the principal South American ports?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. How expensive a matter is it to maintain those agencies?

Mr. ROSSBOTTOM. It is on a commission basis.

Mr. ROBERTS. If they do not bring any business, they get nothing.

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Is that plan producing good results?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. Are they working up the business?

Mr. DRAKE. Yes, sir. I have got to go back again to say that I had to use the influence of the Panama Railroad Co. for the steamship line in order to secure bulk or heavy weight cargo from the west coast that we needed as ballast for our ships, on their return trips from the Isthmus and by virtue of our statement that we would make whatever rate was necessary to secure ballast cargo for our

ships—because I would carry it for nothing if it was necessary in order to get it—our steamship connections on the west coast, the principal one of which is controlled by a line that competes with our steamers on the Atlantic, agreed that we should get that heavy bulk cargo, and it is being carried by the Panama Railroad Steamship Line, but they all have agents in the different ports for commodity business, and the high-class traffic is divided between the different lines operating between New York and the Canal Zone. We get as much of it as our agents can secure.

Mr. STEPHENS. Have you been fairly successful in that?

Mr. DRAKE. Yes, sir. I judge of that by the complaints made by the other lines. That we succeed in getting traffic where they fail.

Mr. ROBERTS. You have at the present time, and will have until the opening of the Canal, the handling of the foreign mails to the west coast, do you not?

Mr. DRAKE. Yes, sir. We carry most of the outward mail from New York and quite a share of the homeward mail.

Mr. ROBERTS. What does it amount to?

Mr. DRAKE. My recollection is that for carrying the mails between New York and the Canal Zone for the 11 months ending May 31, our revenue was \$248,000.

Mr. ROBERTS. Do you get that from this Government?

Mr. DRAKE. Yes. We get, from the Post Office Department, the regular ocean postage for the mails carried by our steamers; also tariff rates for the railroad transportation. We receive payment from the British Packet agent for the railroad transit of foreign mails on the basis of rates that we were authorized to establish under our concession. Efforts have been made at various times to get us to reduce our rates for the railroad haul, and only a few days ago the Secretary of War decided for the fifth or sixth time, on as many different applications, that we would make no change for the present.

Mr. ROBERTS. What proportion of that \$248,000 comes from the United States and what proportion from other countries?

Mr. DRAKE. Practically all of it comes from the United States.

Mr. ROBERTS. If we had a line of steamers operated by the Panama Railroad running around the west coast, would you expect to get any of this foreign mail transportation?

Mr. DRAKE. As it is now, all the mails are turned over at Balboa to the representatives of the various countries. We do not carry the mails beyond Balboa.

Mr. ROBERTS. But we would carry the mails from Balboa to whatever ports we touched?

Mr. DRAKE. Yes, sir.

Mr. STEPHENS. Much of the profit of this line is now derived from this postal service?

Mr. DRAKE. Yes, sir.

Mr. WILLIAMS. What connection would the Panama Railroad have with you in operating ships through the canal?

Mr. DRAKE. None, except that the railroad operates all of the terminals at both ends, and all appurtenances to the canal—that is, the dry-dock, commissary, wharfage, and fuel facilities, and everything except the motive power. They have taken away from us the control of the motive power.

Mr. WILLIAMS. So that any ship could pass through the canal without being operated in any way in connection with your railroad company?

Mr. DRAKE. If she is loaded to a destination beyond the canal she could go right through and not touch us at all.

Mr. WILLIAMS. That is, without having any connection with you at all?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. A law was enacted a couple of years ago forbidding a railroad-owned ship from going through the canal, and I would like to know what effect that law would have on a line of ships owned by the Panama Railroad Co.?

Mr. DRAKE. I think none, because the lines would not be competing with any railroad.

Mr. ROBERTS. As I remember the law, it was not worded that way. Does it require that the line should be in competition with a railroad?

Mr. DRAKE. Yes, sir; it is limited to that, and the Interstate Commerce Commission is now considering the petition of the Pacific Mail Steamship Co. that it be allowed to continue to operate its Central American and South American branches, because those branches of the Pacific Mail Steamship Co., which is owned entirely by the Southern Pacific Railroad Co., do not compete with the Southern Pacific Railroad. So that the Interstate Commerce Commission is now called upon to make a ruling upon that question.

Mr. ROBERTS. If you wanted to run any of your ships from Balboa up the California coast, then you would run counter to that law, would you not, because you would be competing?

Mr. DRAKE. I am not clear on that point.

Mr. WILLIAMS. Does that law prohibit a railroad-owned steamship from using the canal?

Mr. ROBERTS. Broadly, yes, sir. It prohibits their going through their canal, and that was the foundation for Great Britain's protest against toll exemptions for anybody's ships—

Mr. TALBOTT (interposing). Any railroad that owns a steamship line can not use the canal.

Mr. WILLIAMS. How far would that prohibit this company from owning ships?

Mr. ROBERTS. That provision reaches the New York, New Haven & Hartford Railroad.

Mr. DRAKE. Yes, sir; but that is because all of its steamers operate in competition with railroads. That provision applies to ships that are owned by railroads and operated in competition with railroads.

Mr. WILLIAMS. Technically the language of that act seems to prohibit any railroad-owned ships from using the canal. Now, suppose the Panama Railroad Co. did own these ships, why would not the language technically prohibit the use of the canal by such ships?

Mr. DRAKE. Because we are the proprietors of the canal. Col. Goethals has ruled that we must apply that to our ships when they go through and that railroad-owned ships can not go through, but I do not think that the purpose at any time was to prohibit our ships going through. As a matter of fact, they have gone through, or some of them.

Mr. WILLIAMS. If you were operating a line of steamships to South American ports doing a general shipping and transportation

business, you would come into competition with lines doing a like business, and they would immediately raise the point that you were using the canal in violation of the terms of the canal act, and if that question should be raised, and if it should be decided according to a strict interpretation of the language of the act itself—

Mr. ROBERTS (interposing). It seems to me that the Panama Railroad is not a transcontinental railroad, and it is not operated in connection with any transcontinental railroad. Therefore the Panama Railroad could not make use of ships for the purpose of increasing the rates and thereby diverting traffic from the water route to the railroad. That is the theory of the law.

Mr. WILLIAMS. Your answer is that it would not violate the spirit of the law, but that it would violate the letter or wording of the act?

Mr. ROBERTS. As I understand it, the whole idea of the legislation was that the transcontinental railroads, through the ownership or control of steamship lines operating between the coasts, would put the water rate so high that, in connection with the length of time required to make the journey, it would divert traffic from the water route to the rail route, which would have the effect of neutralizing what we had hoped would be the beneficial effect of the canal on transportation rates between our west-coast cities and those on the east. The purpose was to prevent any such scheme or combination as that, and to that end they put in the law a provision that a railroad-owned steamship could not use the canal under any terms, even though there is no possibility of it putting up the rates in connection with any transcontinental railroad. In the case of the New York, New Haven & Hartford Railroad, it would be one link in the transcontinental journey between New York and San Francisco. They are not allowed to operate ships through the canal, because they might be a party to an agreement with the New York Central and other lines which together would constitute a line from New York to San Francisco, by which they could make such a high water rate that the people would not ship that way, but would prefer rather to ship by rail.

Mr. DRAKE. The same thing applies to the Canadian Pacific. But I have gone deeper than that and have felt that it was a Government-owned line and that the Government could do as it liked with its own.

Mr. STEPHENS. It is your opinion that, inasmuch as the Panama Railroad of itself can not originate freight on one coast of the United States, nor deliver on the other coast, it could operate a line of steamships through the canal without violating the clause of the canal act relating to railroad-owned steamships.

Mr. DRAKE. Yes, sir; I feel that way. But there is one thing that must be borne in mind, and that is that the Panama Railroad itself is going to drop out of the operation as an intermediate carrier. The Government officials have ruled that it must cease to be an intermediate carrier, and that it must be operated only in conjunction with the canal. Therefore I have served notice on the different steamship lines that between now and the expiration of 90 days they must make their own arrangements for the transfer of cargoes, because the Panama Railroad at that time will discontinue that service. The Secretary said to me at the same time, "You must write them a letter to the effect that it is not our purpose to cripple

traffic, but that we want to attract traffic." We have gone very carefully into the question as to how the terminals on the Atlantic and Pacific are to be operated. Of course, we want to attract business to the canal, but if any emergency should arise, such as a breakdown of the canal, or for the transportation of broken cargoes, or in fact anything that would seriously interfere with commerce the railroad will still be available. But the railroad itself will drop out as anything more than a local road.

Mr. TALBOTT. It will drop out as a through carrier?

Mr. DRAKE. Yes, sir.

Mr. ROBERTS. It is not likely to be a paying enterprise from now on?

Mr. DRAKE. I am very optimistic. I think it will be. You can not point to an instance in the history of transportation where an increase in facilities has not resulted in an increase in the aggregate of traffic to be handled. There is this open door on the west coast to be developed. When the Erie Canal was built, and a little later when a portion of the New York Central was built, and then another portion, they said it would not pay, and now they are thinking about building a barge canal.

Mr. ROBERTS. Where will the revenue come from?

Mr. DRAKE. We are going to have a great falling off, but that is going to be compensated, it is my expectation, after the novelty of going through the canal wears off, by the carrying of passengers, mail, baggage, broken cargoes, and local cargoes and supplies needed for the army of occupation.

Mr. ROBERTS. Let me understand that. Your anticipation would be that Colon would be the terminal on one side and that the steamships would not go through the canal, but simply drop off the passengers, baggage, and mail and let them go by rail?

Mr. DRAKE. Yes, sir. Of all the lines that go down there, I understand that 10 or 11 are going to do that.

Mr. ROBERTS. That would hurt the canal revenue?

Mr. DRAKE. No. This business will all go through the canal, but it will go through in fewer ships. Some ships will have to discontinue operating altogether, because they are not fitted to go through the canal; their owners never had any idea of going through the canal. The expectation of the canal authorities is that the business will be centralized at the ports where the boats go. For instance, if you take New York, it will drain a certain territory to New York; it will not go any farther; it will seek other channels. There is the same need for maintaining the American flag in this business on account of the advantage that it would be in preventing discrimination on the part of foreign steamship lines against American commerce, either by establishing higher rates from this country, when they should, in fact, be lower, or by giving a more satisfactory service to the European than to the American merchants. If we discontinued the Panama steamship line, the whole traffic with the west coast of South America would be at the mercy of foreign lines.

Mr. WILLIAMS. We do not contemplate discontinuing, but increasing it.

Mr. DRAKE. Before the committee adjourns I would like, if you have no objections, to make a brief statement that will enable you to

understand just what traffic outside of that for the Panama Canal is being handled over the Panama Railroad.

On the Atlantic we connect with—

1. The Royal Mail Steam Packet Co. for ports in Great Britain.
2. Cie. Generale Transatlantique for ports in France and Spain.
3. The Hamburg-Amerika Linie for ports in Germany, France, and Spain.
4. The Leyland Line (West India and Harrison branches) for ports in Great Britain.
5. The Cia. Trasatlantica de Barcelona for ports in Spain and the Mediterranean.
6. La Veloce Navigazione Italiana for ports in Italy and the Mediterranean.
7. The Royal Dutch Line for ports in Holland.
8. The Panama Railroad Steamship Line for New York.
9. The Royal Mail Steam Packet Co. for New York.
10. The Hamburg-American Line, Atlas Service, for New York.
11. The United Fruit Co. for New Orleans and New York.

In addition to these regular lines there are several "tramp" lines that operate foreign steamers, calling at Colon or Cristobal whenever they have sufficient cargo on board to warrant this.

On the Pacific we connect with—

1. The Pacific Mail Steamship Co., that operates a service between Balboa and San Francisco, stopping at all the Central American and Mexican ports.
2. The Pacific Steam Navigation Co., operating a line of small steamers calling at the small ports between Panama and Guayaquil and a through service between Panama and ports south as far as Valparaiso.
3. The Cia. Sud Americana de Vapores (Chilean Line), operating a through service between Panama and ports south of Valparaiso.
4. The Peruvian Steamship Line (controlled by the Peruvian Government), operating a through service between Panama and ports south as far as Peru.

During the 11 months ending May 31, 1914, we handled 339,428 tons of through freight over the railroad from Colon to Panama, from which we derived a revenue of \$1,142,877; and from Panama to Colon 246,274 tons, from which we received a revenue of \$670,659. During that same period the operating revenue of the steamship line was \$2,038,436 and the expense \$1,771,417, leaving a net revenue of \$267,019.

Profits and deficits from 1905 to 1914, Panama Railroad Steamship Line.

	Profits.	Deficits.		Profits.	Deficits.
1905.....	\$157,245.49		1912.....		\$201,761.13
1906.....		\$37,158.21	1913.....	\$221,480.92	
1907.....	158,562.95		11 months to May 31,		
1908.....		179,810.67	1914.....	267,019.29	
1909.....	104,995.98				
1910.....	167,952.25			1,154,453.85	418,730.01
1911.....	77,187.97				

Total result for 9 years and 11 month's operation is a net profit of \$735,723.84.

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Mr. TALBOTT. Mr. Drake, we appreciate very much your coming and have been very much enlightened and entertained.

Mr. ROBERTS. Here is section 11 of the canal act:

From and after the 1st day of July, 1914, it shall be unlawful for any railroad company or other common carrier subject to the act to regulate commerce to own, lease, operate, control, or have any interest whatsoever (by stock ownership or otherwise, either directly, indirectly, through any holding company, or by stockholders or directors in common, or in any other manner) in any common carrier by water operating through the Panama Canal or elsewhere with which said railroad or other carrier aforesaid does or may compete for traffic or any vessel carrying freight or passengers upon said water route or elsewhere with which said railroad or other carrier aforesaid does or may compete for traffic; and in case of the violation of this provision each day in which such violation continues shall be deemed a separate offense.

That is what throws the railroad ownership out of the canal. In other words, the railroad has to wholly get rid of the ownership in order to go through the canal.

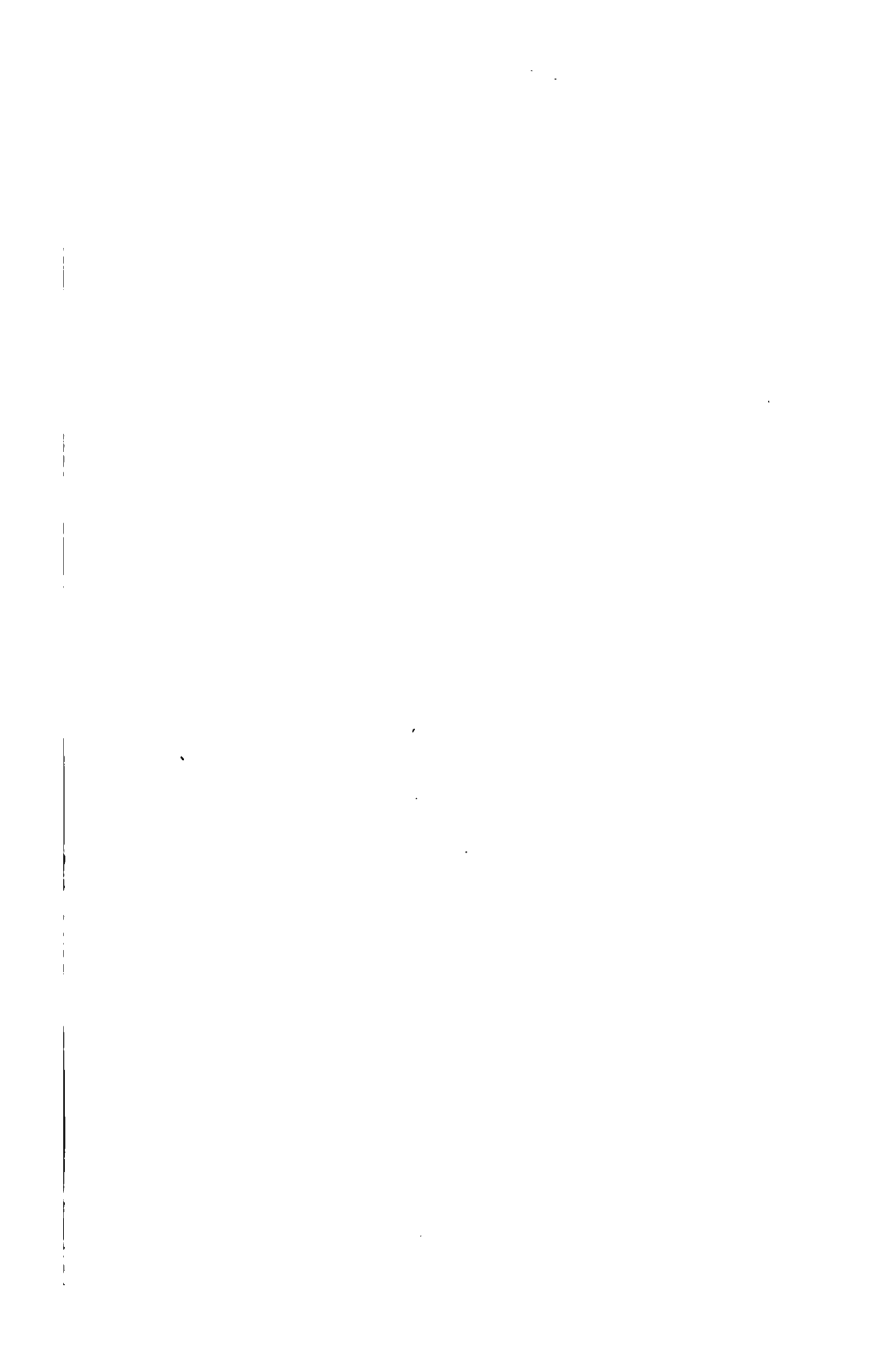
(Thereupon the subcommittee adjourned to meet on Monday, August 24, 1914, at 10.30 o'clock a. m.)

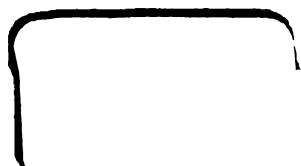
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